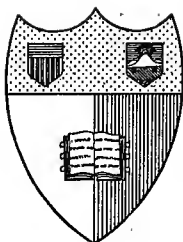


The EFFECT of
WARS & REVOLUTIONS
on
Government Securities
External and Internal

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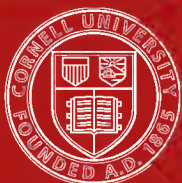
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The EFFECT of
WARS & REVOLUTIONS
on
Government Securities
External and Internal

BY
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The EFFECT of
WARS & REVOLUTIONS
on
GOVERNMENT SECURITIES
External and Internal

IN this book are presented a few facts and ideas upon the effect of wars and revolutions on government securities, external and internal, with a brief review of the relations between events, wealth, indebtedness, government bond issues and their prices, of the modern nations. While in any investigation of prices gold production, trade, commerce, exchange, relative amount of paper money and the self sufficiency of the nation under consideration are important factors, it seems best not to complicate this outline of the history of government securities with any discussion concerning them.

Where authorities differ, as in estimated figures such as population, wealth, etc., the most conservative or that most generally accepted has been used. Normal exchange has been used in con-

verting all values into United States dollars.

All public debts are stated as the total indebtedness less cash in treasury, and in many cases the figures include a large non-interest bearing debt. It should also be borne in mind that where indebtedness has been incurred for public improvements, the value of these should be considered as in part balancing that indebtedness. It will be noted that, in the tables of relative growth, dates of change in the world's history have been taken. As the largest countries are also in many respects the most representative, these only have been reviewed.

The first foreign state loan is said to have been that made by Carthage to finance her struggle with Rome for the supremacy of the Mediterranean two thousand years ago, and to the present time nations have continued to tax the future to provide for present necessities, improvements and developments. With the older countries, war would seem to be the chief, in fact almost the only, factor of increase in the public debt; but

with the newer countries, the principal increase has been made for permanent improvements such as railways, canals, etc. The former constitutes a dead weight of debt, while the latter is one which should be less burdensome.

There is, of course, always the question of whether government ownership brings more revenue to the state than that indirectly derived through taxing the somewhat higher income which private ownership usually obtains from the same enterprise. However, in many cases the government debt takes the form of a subsidy to a private company. But in considering public indebtedness, it means at least a debt productive of revenue in itself and sometimes more than self-sustaining.

In very few cases have these obligations been entirely paid off and all indebtedness cleared away, but, on the contrary, they have remained in one form or another as a permanent investment of part of the capital of the world.

In considering the effect of wars and revolutions on the external and internal

loans of countries it is necessary to consider two points—how the equity back of the loan is affected and how the investor's income is affected. There are very few occasions on which the interest on the bonds of responsible governments has been defaulted, repudiated or funded. Only in the case of new and untried governments has this happened except as a result of anarchy and the subsequent repudiation by the responsible incoming administration. Even in this latter case the repudiation has usually been temporary. In the case of South American countries it has sometimes been impossible to pay off a loan at maturity, but the countries' undeniably great natural resources have made this a mere matter of waiting for a more propitious time. The investor's income does not necessarily suffer.

As a rule, although wars and revolutions may retard civilization, they have the immediate effect of stimulating human thought and endeavor. Thus in the case of war, there usually follows a period of expansion and invention in the defeated as well as in the victorious

country. The opening of the West and the industrial development of the South after the Civil War; the stimulation of manufacture and agriculture in both France and Germany as the result of the Franco-Prussian War; the industrial and political awakening of Spain and the stimulation of agriculture and commerce in Cuba, Porto Rico and the Philippines following the Spanish-American War; the introduction of modern ideas on economic development in Japan, together with a serious effort to compete for a place for her products in the world's markets, and the beginning of industrial occupation in Russia resulting from the Russo-Japanese War; all these may be regarded as after effects of war.

In the case of revolution, there is usually a change for the better, a country having generally reached the state where nothing seems worse than existing conditions before such an upheaval is successfully attempted, and a better and, presumably, a more stable form of government eventually comes into being, accompanied by more just and sound

economic conditions. Both of these lead to a better equity behind the bonds of the government.

The only objection to a government bond as distinguished from any other is that in case of non-payment of interest a country cannot be forced into a receivership and the only means of collecting is "by warship."

The present situation created by a war absolutely without precedent in its size, scope, methods and destruction, is so abnormal that it would hardly seem possible for any man to foretell its effects. But if we take past wars as a precedent, then, since this war is on a larger scale than any which have preceded it, the results should be larger; the debts will be greater, but the expansion and stimulation of energies that will follow will also be greater.

The period following the Napoleonic Wars saw an enormous change in the economic, industrial and governmental conditions and methods of the world, while from about that time date most of the debts of the modern nations. The

world's development has been practically steady and continuous since then.

It will be noticed that the prices of government securities have declined since the beginning of the present century. Though due to a variety of causes it is probable that the increased gold production and the many and attractive opportunities for investment in corporations of all kinds have been partially responsible for it.

The United States occupies a unique position in relation to all this in that part of its lowest yield bonds are available as a basis for note circulation, which tends to keep their price on a higher level than would otherwise be the case.

It would seem that, while wars and revolutions have for a short time caused a lowering of prices of government bonds, they have not affected either the income of the investor or the security of the investment, and to those who have bought during the temporary depression of prices they have brought large gains.

It is doubtful if wars, external or internal, have had as much effect on

governmental securities as the economic and financial conditions through which the countries have passed and which have considerably modified the effects of specific events. These, rather than the political dissension, would seem to be determining factors in the rise or fall of the prices of government securities.

GREAT BRITAIN

GREAT BRITAIN at the end of the Napoleonic Wars found herself in the position of a victor who had piled up a huge debt, even though this was in part offset by her gains in colonial territory. This debt, added to that which had been accumulating since the sixteenth century, was funded into the Consolidated Annuities, inaugurated in 1751 and having no maturity, though reducible by purchase. "Consols" have been added to, replaced by new issues, etc., but their interest has always been promptly and fully paid.

On March 31, 1914, British Consols amounted to \$2,851,448,857, with an interest rate of $2\frac{1}{2}\%$, selling around 78. In addition Great Britain had terminable annuities outstanding to the amount of \$145,623,784, which, however, were more than covered by the value of the Suez Canal shares held in the Treasury. Great Britain's maximum debt, previous to 1914, was reached in 1817.

Throughout the years 1805 to 1815 "consols" fluctuated in price, superficially affected by the succession of events, but after Waterloo they rose fairly steadily and continued to do so all through the great political and industrial changes which immediately followed. These changes were so radical as to practically constitute a peaceful revolution; nevertheless, in the period which saw the conversion of Great Britain into a democracy and the replacing of hand labor by machinery, with all the attendant unrest, "consols" reached par, and this in spite of severe labor troubles at home and constant war in India. During this time (1815-1850) Great Britain managed to pay off a considerable portion, about \$1,944,000,000, of the national indebtedness.

The Crimean War in 1853 to 1856 and the Sepoy Rebellion in 1857, followed by the taking over of India by the British Government from the East India Company, caused only a temporary drop in prices and this was followed by another rise to the maximum of 114 in

July, 1896, and of $113\frac{7}{8}$ in 1897-1898, broken slightly when the interest rate was lowered in 1889 from 3% to $2\frac{3}{4}$ %. Even through the Soudan Campaign in 1884 the rise continued.

The Boer War in 1899 to 1901 brought a drop in bond prices which has continued to the present time, partially due, at least, to the financial depression of the last ten years, the depreciation of the purchasing power of money and also perhaps to the many openings for capital in industrial enterprises and foreign government loans.

How much colonial expansion and its consequent addition of opportunities for profitable investment has worked against the attractiveness of "consols" and thus tended to lower their price, it is hard to say, but it would seem as though the acquisition of territory had tended to produce the opposite effect—that of keeping prices up, as shown throughout the Afghan Wars, etc. Wealthy and rich colonies do undoubtedly increase the equity back of a country's obligations, though, as in the case of Great Britain,

they may not be a source of special profit to the home government.

Great Britain is financing the present war as far as possible by taxes, war loans being called for only to meet what the taxes cannot provide.

As the British Government is paying for a part of the supplies needed by her allies, as well as her own and, in addition, is financing them where needed, this debt of the United Kingdom represents in part the credit that has been extended by her to her allies. Just how great the amount of this credit may be is difficult to say, but it probably is around \$4,700,000,000. Though it places Great Britain partly in the creditor nation position, nevertheless she is to a certain extent mortgaging her future.

But although the present per capita debt exceeds that at the close of the Napoleonic Wars, the per capita income and wealth have increased, and the relation between indebtedness and wealth is approximately the same now as in 1815.

In the years following the wars with Napoleon, as stated above, the United

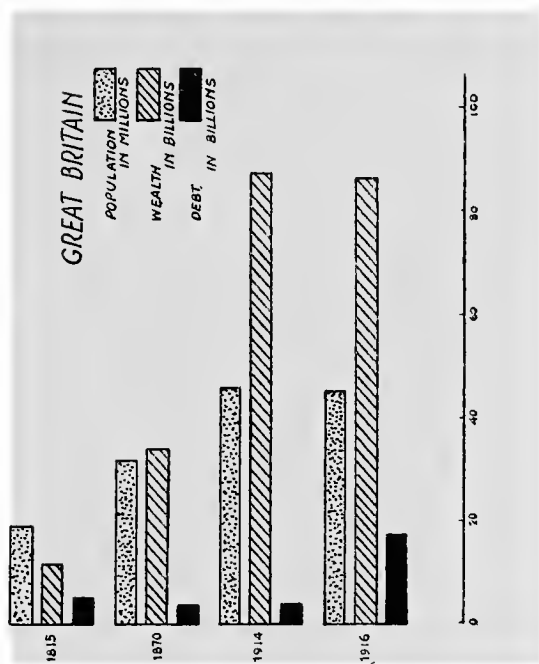
Kingdom paid off about half of the debt incurred through them and this at a time of great political dissension and change, when the nation was expanding in India and elsewhere. What the nation has done once ought to be a fairly safe precedent as to what the empire can accomplish again.

COMPARATIVE DEBT OF GREAT BRITAIN

	Total Debt	Per Capita
1815.....	\$4,320,000,000	241.93
1914.....	3,485,000,000	77.50
1916.....	17,336,000,000	382.00

GREAT BRITAIN

Date	Estimated Population	\$ Estimated Wealth	\$ Debt	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1814-15	17,908,000	11,520,000,000	4,320,000,000	643.29	241.93	20.09%
1848-50	27,390,629	26,688,000,000	3,710,400,000	974.35	135.46	13.90%
1870	31,484,661	33,984,000,000	3,844,800,000	1,070.90	122.12	11.40%
1887-90	38,200,000	51,840,000,000	3,350,400,000	1,357.05	87.71	6.45%
1900	40,909,925	56,668,800,000	3,019,098,154	1,385.21	73.80	5.33%
1912-14	45,663,000	86,400,000,000	3,479,070,854	1,892.12	76.19	4.03%
1916	.....	.....	17,336,000,000	.....	382.00	21.90%



18 SOME QUOTATIONS ON BRITISH CONSOLS

NAME		CONSOLIDATED STOCK			
%		3% — 2¾% — 2½%			
Year	High	Low	Year	High	Low
1814	67½	54½	1865	91½	86¾
15	72½	61½	66	90½	84¾
16	65¾	53¾	67	96¾	89¾
17	84¾	62	68	96½	91¾
18	82	73	69	91¼	91¾
19	79	64¾	1870	94¾	88½
1820	70¼	65¾	71	94	91¾
21	78¾	68¾	72	93¾	91½
22	83	75¾	73	94	91¾
23	85¾	72	74	93¾	91
24	96¾	84¾	75	95¾	91¾
25	94¼	75	76	97½	93¾
26	84¾	73¾	77	97¾	93
27	89¾	76¾	78	98	94¾
28	88¾	80¾	79	99¾	94¾
29	94½	85¾	1880	100¾	97¾
1830	94½	77½	81	103	98½
31	84¾	74¾	82	102½	99
32	85¾	81¾	83	102¾	99¾
33	91¾	84¾	84	102¾	98¾
34	93	87½	85	101½	94¾
35	92¾	89¼	86	102¾	99¾
36	92¼	86¾	87	103¾	99¾
37	93¾	87¾	88	103¾	98¾
38	95¾	90¾	* 89	99¼	96¾
39	93¾	89¼	1890	98¾	93¾
1840	93¾	85¼	91	97¾	94¾
41	90½	87¼	92	96¾	93¾
42	94¾	88½	93	98¾	95¾
43	97½	92½	94	102½	97¾
44	101¾	96½	95	108½	103¾
45	101¾	91¾	96	114	105¾
46	97¾	94	97	113¾	105¾
47	93¾	78¾	98	113¾	106¾
48	90	80	99	111½	97¾
49	98¾	88¾	1900	103¾	96¾
1850	98¾	94¾	01	97¾	91
51	99¾	95¾	02	97¾	82¼
52	102	95¾	03	93¼	86¾
53	101	90¾	† 04	91¾	85
54	95¾	85¼	05	91¼	87¾
55	93¾	86¼	06	91¼	85¼
56	95¾	85¾	07	87¾	80¾
57	94¾	86½	08	88½	83¾
58	98¾	94¾	09	86	82¾
59	97¾	88¾	1910	83¾	78¾
1860	95¾	92¼	11	82¾	76¾
61	94¼	89½	12	79¾	72½
62	94¾	91¾	13	75¼	71¼
63	94	90	14	80¾	68
64	92	87¾	15	76½	54
			16	62¼	50

*Reduced to 2¾%.

†Reduced to 2½%.

FRANCE

IN France the wars of the early nineteenth century left very little debt, due to the shrewd management of Napoleon, who believed in making war pay its own way. The restored Bourbons, however, had large indemnities to pay to their allies and the émigrés, and as they also, to their great credit, refused to repudiate the imperial expenditures and deficit, the principal of debt, in 1815, amounted to \$248,320,000.

The main portion of the funded debt, as in England, is perpetual. The total amount of bonds at the beginning of the present war amounted to \$4,252,910,182 of "Rentes Perpetuelle" and \$657,338,930 of "Rentes Amortissable," both having since 1883 an interest rate of 3%, and formed the largest public debt, absolutely and per capita, of the world.

After 1815 France passed through a period of political turmoil which lasted until the Coup d'Etat of 1851 that placed Napoleon III on the throne. By 1830

the price of Rentes had gone to a premium, being 102, but the July Revolution of 1831 caused a drop to 84, which, however, was transient and by 1845 the 5% Rentes were selling for 122.85, the 4% for 110.5 and the 3% for 86.4. But the Revolution of 1848 brought about the lowest price since the Napoleonic Wars, the 5% dropping to 50 and the 3% to 32½. Again a steady rise occurred, until in 1870 the 3% Rentes were selling at 75.10, and this in spite of the Crimean, Mexican and Italian Wars. Throughout this period the Rothschilds had a practical monopoly of the flotation of the government loans.

Railway bonds had dropped abruptly in 1848, due to the inability of the people to understand the huge sums needed for construction, but the Second Empire undertook to guarantee the principal of the bonds of the six great trunk lines, and in 1857-59 the credit of these roads rose rapidly, although France was then at war in the Crimea.

The Franco-Prussian War caused a heavy fall in quotations, the 3% Rentes

dropping to 50.35, but although France went through the heaviest strain of war financing known up to that time, besides the revolution once more creating a republic and two funding operations which reduced the interest rates to 3%, the price of her bonds recovered until in 1897 they reached their maximum of 105.25, remaining above or near par until the beginning of the present war.

The Franco-Prussian War cost France \$1,746,000,000 and the payment of the war indemnity, demanded by Germany, is a proof of the resilience of a great nation. This was fixed at \$970,000,000 which was lowered as far as actual cash was concerned by a small amount already paid by the City of Paris and the value, estimated at \$63,050,000, of the railways of the conquered provinces. Besides this, \$24,650,000 was to be in the bank notes of the Bank of France, a private institution which cooperates with the government. Thus \$941,103,055 (including interest) was actually paid to Germany inside of two years.

Most of this amount was raised by two

internal loans. In 1871 the government issued a call for subscriptions to an issue of 5% Rentes representing a principal of \$388,000,000 at the price of 82.5, which was subscribed twice over; and the second issue, of 1872, also for 5% Rentes representing \$388,000,000 principal and issued at 84.5, received in advance subscriptions amounting to \$8,536,000,000; \$5,044,000,000 represented foreign capital and \$3,412,000,000 that of France. And this was less than two years after a disastrous war and the Communist insurrection.

The reason for this excellent public credit is to be found in the steady, vigorous economic activity which came as the reaction to these disasters; and in the fact that the Bank of France had been so ably managed that in spite of its forced loans to the Communists (which were largely a total loss) and its advances to the City of Paris and the Government of France of \$291,000,000, its credit was good. By 1874 Rentes were once more quoted at par.

During the nineteenth century France

had been extending her colonial possessions in Algeria, Tunisia, Anam, Tonkin, the French Congo, etc., and much money had been spent on the various wars of conquest thus necessitated. But they are colonies which contain much natural wealth and so have added to that of the nation at large.

The critical years of France and the interest charge on the outstanding funded debt of the country at each of these periods was as follows:—

1814	\$12,281,681
1830	39,188,000
1848	47,336,000
1851	46,948,000
1870	77,988,000
1914	127,458,000

As the public debt of France is perpetual, in theory at least, it is usually stated on its interest basis.

The faith of the small investor of France, always partial to safe rather than highly remunerative investments, is shown in the fact that there are estimated to be over 4,500,000 individual owners of Rentes in France.

France is financing the present war out of the savings of her people—that is, by the issuing of Rentes, war loans, etc. There has been little increase in taxation. At the close of the Napoleonic Wars the country had a comparatively small debt. The population at that time was 70% of the present one so that the public debt per capita shows an unusually large proportionate increase compared with other countries whose population has increased 300% or more during the century.

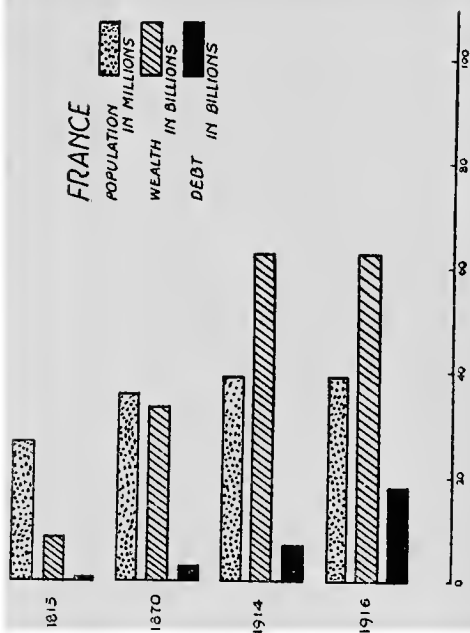
The strength of the present situation lies in the fact that the country's resources for additional revenue from taxes are almost untouched, and it is well to remember that the small investor in France has always been partial to government securities. France, to a large extent, is capitalizing her thrifty past.

COMPARATIVE DEBT OF FRANCE

	Total Debt	Per Capita
1815.....	\$339,096,000	\$12.55
1914.....	6,607,000,000	159.95
1916.....	18,005,000,000	455.00

FRANCE

Date	Estimated Population	\$ Estimated Wealth	\$ Debt	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1814-15	26,930,756	8,640,000,000	339,096,000	309.34	12.55	4.05%
1848-50	29,871,176	17,714,700,000	1,248,000,000	533.66	42.79	8.02%
1870	36,000,000	33,600,000,000	2,419,200,000	933.33	78.20	8.38%
1887-90	38,800,000	42,720,000,000	6,091,200,000	1,101.03	146.98	13.35%
1900	38,517,975	46,512,000,000	5,193,834,520	1,207.51	135.36	11.21%
1912-14	39,660,000	62,400,000,000	6,343,622,400	1,573.37	159.95	10.17%
1916	.....	.....	18,005,000,000	.....	455.00	28.90%



NAME %	PERPETUELLE					
	5%		3½-4%		3%	
Year	High	Low	High	Low	High	Low
1814	80.	45.				
15	81.5	52.3				
16	64.4	54.3				
17	69.	55.05				
18	80.	60.				
19	73.15	64.85				
1820	79.6	70.1				
21	90.65	73.75				
22	95.	83.35				
23	93.65	75.5				
24	104.8	93.				
25	106.25	90.5				
26	101.05	95.75				
27	104.7	98.5				
28	109.	101.25				
29	110.65	106.5				
1830	109.85	84.5				
31	98.8	74.75				
32	99.85	92.				
33	105.5	99.65				
34	107.	103.7				
35	110.3	106.4	103.5	99.65	76.35	59.8
36	110.3	103.2	95.25	90.	72.35	63.
37	111.	106.25	95.1	89.5	73.7	66.15
38	111.85	107.05	100.5	91.	76.1	66.8
39	112.85	108.25	100.5	100.25	86.1	73.95
1840	119.4	100.3	113.5	95.5	86.65	65.9
41	117.05	110.45	106.5	101.2	86.6	75.6
42	120.8	116.	108.5	105.	82.25	76.6
43	123.7	119.6	109.75	107.25	83.2	78.7
44	126.3	118.1	113.25	109.25	85.65	79.75
45	122.85	116.5	116.25	111.5	86.4	80.9
46	123.6	116.	115.	110.25	85.	80.4
47	119.1	113.35	110.25	103.	80.2	74.65
48	117.5	50.	104.	48.5	75.2	32.5
49	92.7	74.	81.	66.	58.5	44.7
1850	97.4	86.7	85.	76.	58.8	53.9
51	103.	89.1	91.	78.	67.	54.5
52	106.5	99.1	107.	88.75	86.	63.9
53			106.5	98.75	82.15	71.7
54			101.	88.	76.35	61.5
55			99.4	89.75	71.75	63.85
56			97.	89.5	75.45	61.5
57			95.5	90.	71.1	65.85
58			98.	92.4	74.95	67.5
59			98.5	87.75	72.5	60.5
1860			98.25	94.75	71.4	67.1
61			99.	94.5	70.15	66.85
62			101.	95.25	72.9	67.4
63			99.5	94.	70.6	66.1
64			95.7	91.4	67.75	64.45

NAME %	PERPETUELLE						AMORTISS- ABLE	
	5%		3½-4%		3%		3%	
Year	High	Low	High	Low	High	Low	High	Low
1865			99.	93.9	69.57	66.3		
66			100.25	91.5	70.6	62.45		
67			101.	93.9	70.75	65.25		
68			103.	98.4	72.05	68.25		
69			105.	100.	73.9	69.8		
1870			105.75	76.	75.1	50.8		
71	96.1	83.	85.	75.	58.45	50.35		
72	92.1	83.	83.5	75.	57.25	52.4		
73	93.45	85.	84.5	77.25	59.1	53.25		
74	100.5	92.05	93.1	83.5	64.8	57.8		
75	106.4	99.6	98.5	90.	66.95	61.6		
76	107.25	101.8	105.	94.25	73.	65.		
77	108.7	101.7	105.3	94.	74.35	66.10		
78	115.95	106.7	109.5	100.25	77.75	69.95	87.	77.25
79	118.8	108.95	116.	107.75	84.5	76.3	86.8	79.
1880	120.85	115.35	118.85	112.5	87.3	81.1	89.3	82.85
81	121.2	113.25	117.5	110.	87.25	82.	89.	83.8
82	118.7	112.7	115.	108.4	84.75	78.65	85.	79.9
83	116.1	107.65	109.45	104.3	82.65	74.15	83.2	76.6
84			109.15	79.5	75.1	82.3	82.3	76.27
85			110.5	107.	82.4	76.2	84.	78.5
86			110.9	108.3	83.9	80.1	86.65	82.
87			110.4	106.	82.9	76.	85.8	81.
88			108.	103.3	84.6	80.9	87.	84.
89			106.3	103.55	88.4	82.5	93.	86.
1890			107.4	103.8	96.37	87.4	97.	91.1
91			106.05	103.4	96.7	92.2	97.8	92.5
92			106.2	104.5	100.7	95.	100.7	95.9
93			107.2	103.45	99.6	93.6	99.5	95.
94			105.9	104.	104.5	96.8	102.5	96.75
95			108.65	104.8	103.7	99.6	102.	99.65
96			107.4	104.2	103.25	100.6	101.75	100.
97			108.35	104.97	105.25	101.6	105.1	100.25
98			107.7	103.9	104.3	101.35	103.25	100.
99			104.75	101.25	103.05	98.75	101.7	98.9
1900			103.6	101.4	102.3	99.15	100.9	97.8
01			103.75	100.65	102.45	99.85	100.75	99.1
02			102.8	100.5	102.	98.45	101.45	98.5
03					100.17	96.25	100.	96.7
04					99.1	94.	99.	95.55
05					100.5	97.7	100.1	97.5
06					99.9	94.9	99.8	95.
07					96.2	93.75	97.	94.55
08					97.65	94.15	98.6	95.7
09					99.25	96.25	99.5	97.1
1910					99.2	96.45	99.	96.5
11					97.55	93.5	97.75	94.55
12					95.6	88.25	96.1	92.
13					90.8	83.45	94.	87.5
14					88.	76.5		
15					69.5	56.5		
16					58.	52.5		

GERMANY

THE financial standing and history of Prussia and Germany very closely correspond, although the German Empire was not formed until 1871. The Government handling of finance more nearly resembles that of the United States than that of any other European nation, the Empire being a confederation of semi-independent states. Their record for financial good faith and payment is excellent.

The debt of the German Empire before war was declared in 1914 was \$1,177,418,000, the total for all Germany being \$4,913,320,000. A large part of this, principally that of the States, is productive, representing the bonds issued for railways, mines, iron works, public improvements, etc.; but the Imperial debt has been largely created for military purposes—by wars and expenditure for the army and navy, the Kiel Canal, etc.

At the beginning of the Napoleonic Wars, Prussia had in her treasury

\$58,500,000 in specie which was used to finance the struggle against Bonaparte, but in addition a war debt was accumulated by the combined German States of about \$148,000,000. Prussia's share in this was the "English loan" of \$25,000,000 floated by the Rothschilds, and some idea of the credit of Germany at this time is shown by its being issued at 70, 72½ and 75. The interest rate was 5%, and even at the low price it was not fully subscribed.

The German States had paid off approximately \$48,000,000 of their debt by 1842, but in the years following the revolution of 1848 a series of deficits increased the obligations of Germany.

From this time on, much of the capital raised by loans was used to construct railways and in 1870 almost half of the public debt was represented by these investments and the interest on it was a small burden to the various states as it was met to a large extent out of the net receipts from the public iron works, mines and railways.

The Franco-Prussian War cost Ger-

many \$438,010,144, but as it resulted in the acquisition of Alsace-Lorraine, and \$1,072,237,873 in indemnities, etc., the newly formed Empire was not only out of debt, but had \$579,617,973 of cash on hand. Of this, three-fourths was reserved for military purposes and the rest divided among the States and used by them chiefly to repay war loans which they had independently contracted.

In 1873 Prussian Consols reached their maximum price, but in the following years of business depression and poor harvests they dropped. They reacted to above par in 1880, but beginning in 1898 they gradually dropped to their low price of July, 1914. This may have been due in part to the large amount of unsecured paper put in circulation by the Government during these years.

Great industrial and economic progress has marked Germany's development in the period since 1870. The efficient and intensive methods in all branches of industry, trade and agriculture, might, but for her huge naval and military appropriations by Imperial and State

Governments, have placed her in a position to pay off all obligations.

Germany has been obliged to finance the present war within her own territory and so, having no external indebtedness, may dispose of the problem as she pleases. Without the extraordinary expenses of maintaining her army and navy, the nation should be in a better position to take care of its indebtedness, the government ownership of so much productive enterprise constituting a great asset.

Probably, however, there is a large amount of paper in circulation which is not included in the figures given as the national debt and together with a gold reserve presumably much depleted, the nation's power of recovery from the economic stress will depend somewhat upon how this situation is met.

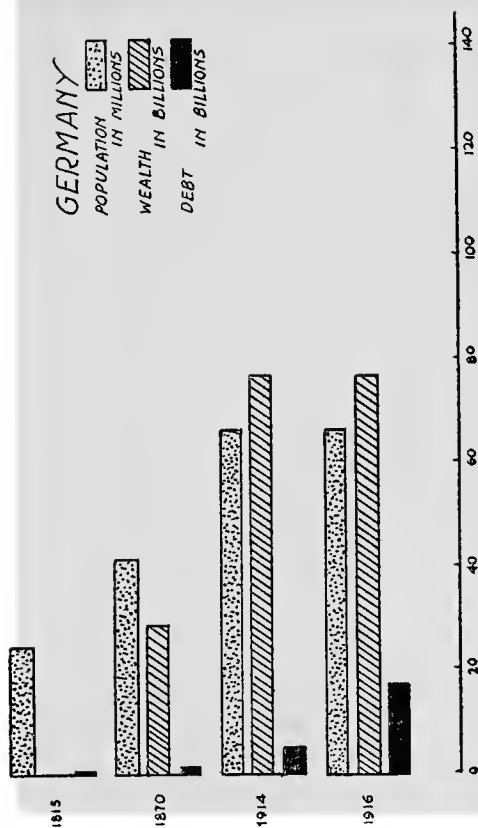
COMPARATIVE DEBT OF GERMANY

	Total Debt	Per Capita
1815.....	\$187,200,000	\$7.54
1914.....	5,198,000,000	80.10
1916.....	16,978,000,000	255.00

GERMANY

Date	Estimated Population	\$ Estimated Wealth	\$ Debt*	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1814-15	24,833,396	.....	187,200,000	.....	7.54	.....
1848-50	36,113,644	.....	331,200,000	.....	9.91	.....
1870	41,058,804	.....	710,400,000	.....	17.30	.....
1887-90	48,600,000	36,000,000,000	2,088,000,000	740.74	42.96	5.79%
1900	56,345,000	38,649,600,000	2,539,596,000	685.97	50.10	1.47%
1912-14	66,146,000	76,800,000,000	4,538,654,400	1,161.07	73.62	6.34%
1916	.....	.....	16,978,000,000	.....	255.00	21.90%

*Debt is that of German States and Empire.



Name %	Prussian State Debt 3½ %	Prussian Consols 4—3½ % 1880	Imperial Consols 3 % 1891	Imperial Consols 3 % 1890-94	Prussian State Loan 3 %				
Orig'l Amt.		M 3,592,667,850	M 1,030,219,800	M 646,300,900	M 1,241,994,500				
Year	Av'ge Price	High	Low	High	Low	High	Low	High	Low
1851	87								
52	92½								
53	92½								
54	83¾								
55	85								
56	85½								
57	83¾								
58	84¾								
59	82								
1860	84½								
61	88½								
62	90½								
63	89½								
64	90								
65	90¼								
66	84¾								
67	84								
68	83½								
69	81¾								
1870	78½								
71	83¾								
72	90¼								
73	90								
74	92½								
75	91¾								
76	93½								
77	92½								
78	92½								
79	93½								
1880	96½	100½	97						
81	98½	103	97½						
82		102	98						
83		102	98						
84		103	100						
85		104½	100½						
86		105½	102						
87		107	101						
88		107¾	104						
89		107	104						
1890		107	103½						
91		106	103	84	81¾			84	82
92		107¼	103¾	88	84			88	83
93		107½	104	87¾	84½			87½	84½
94		107¼	102¼	96¾	85	95¼	93	96	84
95		106	102¼	99	94½	99	94½	99¾	94½
96		106½	102¼	100	95¾	99½	96½	100½	96
97		*104	101¾	98½	95¼	98	95¼	98¾	95½
98		103	100	97¼	91¼	96¾	92¼	98	92
99		101	96	94	85¾	93	87	94½	86
1900		98	92	89	84½	88½	84	89	83½
01		101	94½	91½	85¼	91	85	91½	85
02		102	98¼	92½	89	93	88	92½	89
03		102	99¾	92¾	88	92	88½	92¾	88
04		102	98¼	91½	87½	91	87	91	87½
05		104	98¾	91¼	86¾	90	87	91	86½
06		100	95½	89	83½	89	85	89	84
07		97	90¼	86½	80	87	80	86½	80
08		95	89¾	84¾	79¾	85	80	84½	80
09		96	91¾	87	81½	86½	82	87	81¾
1910		94	90¾	85	80½	85	82	85	81
11		94¾	91	85	79¾	85	80¾	85	80
12		92	86	82	75	82	76	82	75
13		87	82	77¾	72¾	77¼	71½	78	73
14		86¾	81	77	71	79	71¾	78¼	72
15		65¼	52¾	58¾	40	58½	47¼	58¾	48¾
16		58½	50¼	51½	44½	51	43¾	50½	43¾

*Reduced to 3½%

RUSSIA

RUSSIA is a country of great extent, and this geographical fact is somewhat responsible for her large national indebtedness. While this debt is partially due to the fact that there have been many years of deficits and large issues of paper currency; on the other hand, much of it represents public works, mostly railroads.

Previous to 1810 Russia had no national debt, but the invasion by Napoleon caused her to borrow, up to 1820, sums amounting to \$170,100,000, which were loaned by Dutch merchants at rates as high as $7\frac{1}{2}\%$.

In 1815 the acknowledged public debt was small, about \$98,000,000, but the Government was responsible for an issue of \$661,000,000 of paper money. Loans payable in paper were contracted by the Government, an internal loan in 1817 with an interest rate of 6% selling at $83\frac{1}{3}$, an external 6% loan in 1818 at 85. There was also a silver loan contracted

abroad in 1820 with an interest rate of 5% at 72. In 1822 \$29,165,006 bonds were issued at 82, the interest being 5%. This was during the period in which Russia was conquering the Caucasus States.

To this beginning has been added at various times bonds to a total of \$4,493,803,871 in 1914, of which a large portion represents railway construction. Russia has always met her external obligations. France has been the great market for her bonds, as well as her principal creditor.

The Crimean War increased Russia's debt without adding anything in the way of territory, but the Turkish War of 1877 gave her undivided control of Trans-Caucasia. At this time her 4% bonds sold on a 6.49% basis, but by 1891 these same bonds were selling on a 4.06% basis. The war with Turkey is estimated to have cost \$631,800,000, and the territory acquired at first did not pay its way.

Many railroads financed wholly or in part by the Government were built

at this time. The close of the Franco-Prussian War was marked in Europe by a great outpouring of capital into productive enterprises, notably railroads, and of these Russia built over 11,000 miles in the years immediately following, developing her fertile river basins, etc.

The acknowledged control of Manchuria following the railroad concession of 1898, came as a result of the Boxer uprising in China, and led to the Russo-Japanese War, which proved a costly one for both nations involved, the combined expenses being estimated at about \$2,500,000,000, of which more than three-fourths was borne by Russia.

When the war broke out, Russian bonds, of which about \$1,400,000,000 were held in France, declined sharply in price, but they quickly rallied, and it was in Paris that the greater part of the Russian financing of the war was done, in 1905 about \$500,000,000 being obtained to cover the war expenses and in 1906 about \$400,000,000 being raised. This last was for other necessities as well. The issue price of these loans was

89 and the interest rate 5%. These rose to above par in 1908 and continued so until 1914.

During these years the amounts of bonds issued for railways averaged a little less than half of the total indebtedness. This was a time of great internal turmoil, the founding of the Duma being accomplished with much friction, but the prices of external bonds did not drop materially.

Since then, in spite of the great unrest at home and dissatisfaction with the Government, Russian securities, both internal and external, have been stable in price, with not more than four points, and in most cases less, fluctuation between the extreme selling prices.

Russia, in the present war, has been the heaviest borrower from the other allies, Great Britain alone having lent her \$1,250,000,000 which must some day be repaid. Although Russia has nearly doubled her indebtedness since the war began, she has a debt which seems small in comparison with those of her two great allies. The present per capita debt of the

country is less than that of most of the nations before the war began.

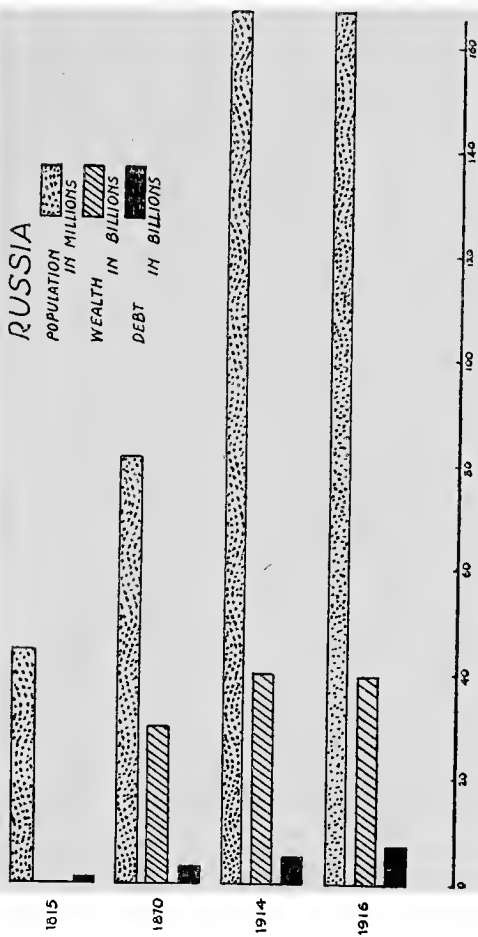
It is a country of enormous natural resources, which, according to all precedents, should be developed with new energy and realization of their greatness when peace comes once more.

COMPARATIVE DEBT OF RUSSIA

	Total Debt	Per Capita
1815.....	\$696,000,000	\$15.47
1914.....	4,537,000,000	28.30
1916.....	7,161,000,000	43.70

RUSSIA

Date	Estimated Population	\$ Estimated Wealth	\$ Debt	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1814-15	45,000,000	.....	696,000,000	.....	15.47	.....
1848-50	68,000,000	.....	432,000,000	.....	6.35	.....
1870	82,000,000	.....	1,641,600,000	.....	20.02	.....
1887-90	92,000,000	27,840,000,000	3,628,800,000	302.60	39.44	13.03%
1900	129,211,113	30,840,000,000	3,148,800,000	230.94	24.48	10.60%
1912-14	167,920,000	40,000,000,000	4,538,654,400	238.21	27.03	11.35%
1916	.....	.....	7,161,000,000	.....	43.70	18.36%



Name % Orig'l Amt. Issued at	Perpetual 1822 5% £6,400,000 82		1850 4½% £5,500,000 93		1859 3% £12,000,000 66½		1860 4½% £8,000,000 92	
Year	High	Low	High	Low	High	Low	High	Low
1864	91	86	88½	82½	55	52	86	83
65	94	87	90½	86	57½	52½	89½	83½
66	92	80	87½	85½	56	49	87½	87½
67	90½	84	—	—	55	50	—	—
68	92	82	87	87	57	50½	84	84
69	91	84	92	85	56	51½	—	—
1870	89	83	91½	84	56	50	88½	83
71	93	83	94	86	60½	53	90	90
72	97½	90½	94	90	65½	57½	—	—
73	100	93	96	90	69	64	92	86
74	104	96	98	91	75	64	87	87
75	106	97	99	92	74	64	—	—
76	103	68	96	69	71	47	95	69
77	86	63	84	64	68	45	82	65
78	85	69	82½	69	64	52	—	—
79	87	77	88	77	68	56	—	—
1880	91	80	92	81	68	60	—	—
81	93	86	93	86	72	65	—	—
82	88	80	91	82	70	62	84	84
83	88	80	92	83	70	63	—	—
84	96	83	96	87	75	64	—	—
85	98	79½	96½	82½	73	64½	90	85½
86	104	94	98	92½	78¾	69	96	88
87	96½	88½	97	91	78¾	69½	93½	88
88	98	85	100	90¾	76½	68	93½	90½
89	109¾	98	102	96½	84	75	101	92
1890	119	115	103½	99	87¾	81½	101¾	99¾
91	124	108	—	—	91	75	—	—
92	119	109	—	—	82	76	—	—
93	122½	115	—	—	86	79	—	—
94	129	122	—	—	94¾	84½	—	—
95	142	128½	—	—	97½	89½	—	—
96	147½	129½	—	—	94¾	89½	—	—
97	154	139	—	—	94	90½	—	—
98	151½	146½	—	—	96	89½	—	—
99	148	127½	—	—	91	85	—	—
1900	136½	124	—	—	87½	81	—	—
01	135	126½	—	—	84½	81	—	—
02	142½	127½	—	—	86½	82½	—	—
03	138¾	126½	—	—	86½	82	—	—
04	126½	107	—	—	83	72¾	—	—
05	119½	94	—	—	78	63½	—	—
06	105¾	90	—	—	69	56½	—	—
07	100½	91½	—	—	62½	57	—	—
08	110	96¾	—	—	69	61½	—	—
09	113	100½	—	—	73	66	—	—
1910	122¾	110	—	—	77½	71¾	—	—
11	127	122	—	—	80½	76½	—	—
12	125	119	—	—	77½	73	—	—
13	122½	119¾	—	—	76½	72½	—	—
14	123½	115½	—	—	77½	72½	—	—
15	107½	102½	—	—	—	—	—	—
16	102½	84½	—	—	62¾	44½	—	—

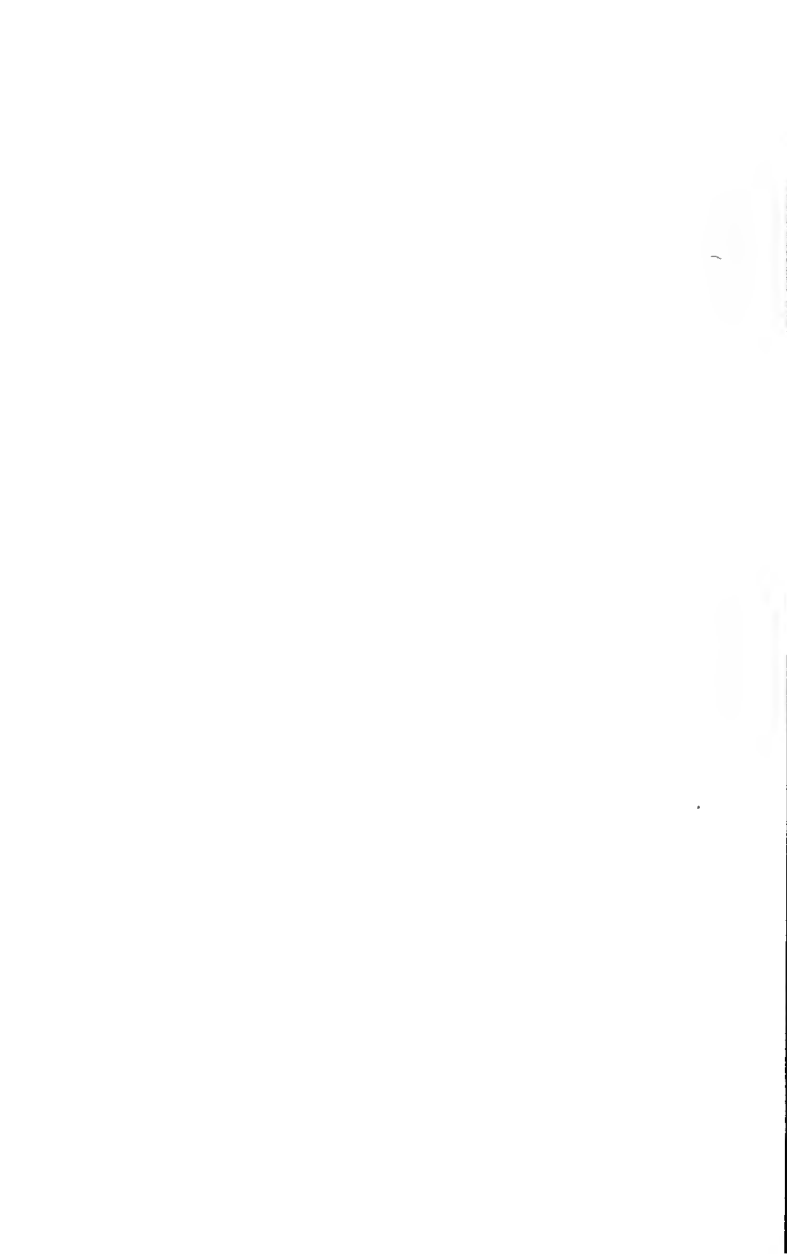
Name % Orig'l Amt. Issued at	1862 5% £15,000,000 94		Anglo-Dutch 1864-66 5% £12,000,000 85-86		Nicholas Ry. 1867-69 4% £23,110,000 61		Charkow-Kr'ch'g Ry. 5% £1,716,000 80	
Year	High	Low	High	Low	High	Low	High	Low
1864	89 $\frac{3}{4}$	85	89	85				
65	93 $\frac{3}{4}$	86 $\frac{1}{2}$	97	87 $\frac{1}{2}$				
66	92	78 $\frac{1}{2}$	96	85 $\frac{1}{2}$				
67	89	83	92	81				
68	89 $\frac{1}{2}$	83 $\frac{1}{2}$	94	85	63 $\frac{3}{4}$	62		
69	89 $\frac{1}{2}$	83	94 $\frac{1}{2}$	87	69	62 $\frac{1}{2}$	84	74 $\frac{1}{2}$
1870	89	79	94 $\frac{1}{2}$	83 $\frac{1}{2}$	70 $\frac{1}{2}$	60	87 $\frac{1}{2}$	78
71	92 $\frac{1}{2}$	83	97	88	75	66	91 $\frac{1}{2}$	82
72	96	89	100	95	77 $\frac{1}{2}$	72 $\frac{1}{2}$	95	90
73	100	91 $\frac{1}{2}$	100 $\frac{1}{2}$	96	82	74 $\frac{1}{2}$	99	90 $\frac{1}{2}$
74	103	96	103	97	86	75 $\frac{1}{2}$	102	93
75	105 $\frac{1}{2}$	94	104 $\frac{1}{2}$	95	88	79	104	94
76	101	72	100 $\frac{1}{2}$	74	85	63	98	65
77	89	68	93	71	78	64	84	64
78	84 $\frac{1}{2}$	69	90	74	76	64	85	72
79	88	78	93	84	79	70	90	78
1880	91	82	96	86	80	72	94	81
81	92 $\frac{1}{2}$	85 $\frac{1}{2}$	97	90	82	74	95	87
82	88	80	94	86	79	70	91	80
83	88	80 $\frac{1}{2}$	96	87 $\frac{1}{2}$	79	74	89 $\frac{1}{2}$	83
84	96	83	100	92	84	75 $\frac{1}{2}$	95	85
85	96 $\frac{1}{2}$	82	99	84	86	76	96	79 $\frac{1}{2}$
86	100	94	101	96	92	85	101	94 $\frac{1}{2}$
87	98 $\frac{3}{8}$	91 $\frac{1}{2}$	99	91 $\frac{1}{2}$	86	80	97	89
88	102	91	101	92	88 $\frac{3}{4}$	78	96	83 $\frac{1}{2}$
89			104	100	95	86	103	95
1890			103	100	98	93	103	99 $\frac{1}{2}$
91					100	85 $\frac{3}{8}$		
92					98	90		
93					98 $\frac{1}{8}$	94 $\frac{1}{2}$		
94					102	98		
95					102 $\frac{7}{8}$	98 $\frac{3}{4}$		
96					105	98		
97					104 $\frac{7}{8}$	101		
98					104 $\frac{7}{8}$	99 $\frac{1}{2}$		
99					103 $\frac{1}{2}$	98		
1900					101	97		
01					102 $\frac{1}{2}$	98		
02					103 $\frac{5}{8}$	98 $\frac{3}{4}$		
03					103 $\frac{1}{2}$	97		
04					99 $\frac{3}{8}$	86 $\frac{1}{4}$		
05					96	75 $\frac{3}{4}$		
06					87	69		
07					83	73		
08					89	82		
09					93 $\frac{3}{4}$	85		
1910					94 $\frac{3}{4}$	91		
11					95 $\frac{1}{2}$	92		
12					95	88		
13					92 $\frac{3}{8}$	87		
14					90 $\frac{3}{8}$	85		
15					81 $\frac{3}{4}$	69		
16					76	65		

Name % Orig'l Amt. Issued at	Moscow-Jaroslaw 5% £1,920,000 78		Prov.-Orel-Vite'k 5% £4,500,000 77½		Charkow-Azov 5% £4,349,280 80		Cons. Ry. Series 1870 5% £12,000,000 80	
Year	High	Low	High	Low	High	Low	High	Low
1869	84½	77	85½	76½	84½	74½		
1870	88	75	89	78	87½	78		
71	93	93	91	82	92	82	92	82½
72	95½	89	95½	89	95½	90	95½	89½
73	99	91	99	91	98½	91	99	91¾
74	102	94	103	94	102	94	105	96½
75	103	93	104	93	104	94	107	96
76	98	73	99	69	99	65	104	73
77	92	70	86	65	84	65	94	69
78	94	82	86	71	85	72	90½	76
79	99	89	90	79	90	78	91	83
1880	100	90	93	84	94	81	93	82
81	102	96	95	87	95	87	93	87
82	101	94	92	81	91	80	88	80½
83	101	96	89	83	89	83	90	81½
84	103	97½	96	84	95	85	95	85
85	103	93	95	80½	96	79½	99	81
86	104	99	100	94	101	94½	102½	96
87	103	99	97½	91	97	89	101	93
88	104	98¾	99¾	88¾	96	83½	102¼	92
89	105	101	103½	98				
1890	105	100	104	99½				

Name % Orig'l Amt. Issued at	Trans-Cauc'n 3% £8,904,200 55		Cons. Ry. I 4% £27,685,000		Cons. Ry. II 4% £49,120,784		Cons. Ry. III 4% £12,656,000	
Year	High	Low	High	Low	High	Low	High	Low
1883	55	51						
84	63½	52						
85	65	57½						
86	72	63						
87	65	63						
88	65	57½						
89	83	71½						
1890	83½	80	99½	92½	99½	92½	100	96
91	86	72¼	100¼	86¾	100	86½	100	87
92	80	72	98½	91½	99	91½	97½	90
93	81	75½	101	95½	101	96	99	93½
94	88	78½	103½	98	103½	97¾	102	96½
95	94½	86½	104¼	99¾	104	99	103	99
96	98¾	88½	105	100	105¾	100	106¾	101
97	95	90	105¾	101¾	105¼	101¾	105	101¼
98	95	91	106	100½	104¾	101	104¾	100½
99	92¾	84¾	103¾	99	103¾	98½	103	98
1900	85	81	102	95¾	102	96½	101	96
01	85¾	84	102½	89¾	102	98½	102¼	97½
02	86¾	84	103½	98¾	103	99¼	102½	99
03	88	82½	103½	97½	103	97½	103	97
04	83½	73½	98½	87½		98½		86
05	81	65½	95½	77¾		95½		77½
06	69½	59½	87	69½		86¾		68½
07	68	61	82¾	71½		82		70½
08	72	66½	89	80½		88¾		79
09	78½	68	95	82¾		94¾		82½
1910	77½	74½	96¾	92½		96¾		94
11	82	74½	97¾	93½		97¾		97½
12	79	72½	95¾	84½		95¾		85½
13	75½	71½	92	87		92		87
14	75½	71½	90	79		89½		80
15	54½	54½	81½	69¾		81¼		73
16	54½	54½	72¾	63¾		72¾		61½

Name % Orig'l Amt. Issued at	Cons. Ry. Series 1871 5% £12,000,000 81½		Cons. Ry. Series 1872 5% £15,000,000 89		Cons. Ry. Series 1873 5% £15,000,000 93		Cons. Ry. Series 1875 4½% £15,000,000 92		Cons. Ry. Series 1880 4% £24,000,000 75	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1869										
1870										
71										
72	95½	89	94½	89½						
73	98¼	91	99	90½						
74	103	95½	103	95	102	94½				
75	105	95	105	95	104	97	95	86		
76	100½	71	100½	71	100½	74	93½	68		
77	88	67	89½	66	89	68	84	60		
78	87	72	87	71	87½	73	80	65		
79	89	80	89	79½	90¼	81½	80	72		
1880	93	82	92½	84	91½	84	85	75		
81	95	87	94½	87	95	88½	86	77	72	67
82	88	81	87½	80½	87½	81	80	72	75	68
83	89	82½	89	82	88¾	81	80	73	79	71
84	96½	84	96	84	96¼	83½	88¼	75½	78	78
85	98	81	97	80	97½	82	90½	75½		
86	100	94	100	93¾	100¾	93½	96	87		
87	97¼	90	97	89½	99	90¾	92	81		
88	98	86	98½	88	101½	89	94½	82		

Name % Orig'l Amt. Issued at	Rentes 1894 4% R2,650,000,000		1895 3½% £15,820,000		Dvinsk & Vit'k 4% £3,026,240		1906 5% £89,235,000 89		1909 4½% £55,580,000 88¾	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1882										
83										
84										
85										
86										
87										
88										
89										
1890										
91										
92										
93										
94										
95	—	—	98½	94	102	97¼				
96	—	—	101½	93½	103	99				
97	—	—	102¾	98½	104½	100				
98	103	99	102¼	99	104	97				
99	101½	95½	101	93	103	96				
1900	—	—	95	90	100½	95				
01	—	—	97½	92½	101¼	96¾				
02	100½	97	98½	91	102	97½				
03	101¼	97	100	92¾	102	97				
04	98½	88	93	77¾	97½	87				
05	90½	73	89½	67	94¾	75				
06	81¾	66	77½	60	83	65				
07	76¾	69	72	62¾	79	60½	91	80		
08	80	72½	79¾	70½	85½	77¾	99½	89½		
09	90¾	75½	86½	72½	92	81¾	103¾	96¼	98½	93¾
1910	97	89	88	84½	94¼	90¾	106½	101¾	102¾	96½
11	96	91¾	90¾	84	94½	90	106¾	102¾	103¾	98¾
12	92½	87½	88	78	93½	85¾	106¾	100	102¾	95½
13	93½	89½	85	77½	91	85	105¼	101½	101¼	97½
14	95½	89	82½	71½	89¾	83	104¾	93	100½	90
15	—	—	68½	59½	82	65½	98¼	84	90¼	73¼
16	69	54½	64¾	56½	72¼	66¼	91¾	76¾	83½	73¼



CHINA

THE history of modern China is mainly a history of her loans.

In 1865 the first foreign loan was obtained from Russia to finance an expeditionary force to Ili. It was repaid a little later, an unusual action on the part of China. However, China in spite of tangled finances has always met the interest on her bonds and although for a short time unable to pay off the instalments of the Boxer Indemnities promptly, is now paying them on time.

The present national indebtedness dates from the war with Japan in 1894 and with the later additions now amounts to \$1,112,245,423 foreign obligations and three internal loans totaling \$54,367,640.

In 1866 the first secured loan was made, it being a first charge against the Maritime Customs. This led, in the end, to their reform and administration by Europeans, an excellent thing for the country and, during the recent revolutions, one of the principal things that

saved China from having to default temporarily the interest on her bonds. Several loans followed this, the largest being for \$10,659,000, made just as the country was recovering from the Taiping Rebellion. These have all been paid off.

The war with Japan in 1894 resulted disastrously for China, and Japan exacted an indemnity of \$152,000,000. Russia came to her aid and raised \$77,600,000 in France, while \$155,520,000 was raised by an Anglo-German loan. As that did not suffice for internal needs, an additional \$32,236,400 was borrowed from various sources.

The people of China are singularly averse to paying money to the government, therefore the interest charges on the foreign loans, amounting to \$13,200,000, were upsetting and this, added to the corruption and recklessness of the official world, produced a most tangled financial situation. The Young China party had an idea that this could be adjusted by the flotation of an internal 5% loan of \$66,000,000, but as was to be expected from the disposition of the

people, it was a complete failure, only \$2,640,000 being subscribed and this was eaten up in the expenses of flotation.

Prices at this time for Chinese bonds ran high on the exchanges, keeping well above par; in 1896 two issues of 6% bonds were selling as high as 110½ and 115¾, a 5% at 102, and the 7% Silver Loan at 122⅞.

In 1895 began the competition of foreign nations for Chinese territory, concessions, and the chance to lend money and so increase their share of influence. All this has undoubtedly helped to develop China, but it has put her under large and perhaps unnecessary foreign obligations. Russia posed as her best friend and proposed to raise a loan in France for China, but England and Germany would not allow this, and instead they loaned her \$77,760,000 in 1898.

The Boxer Uprising was made an excuse by the foreign powers to exact large indemnities and, as it was manifestly impossible for China to pay them, they were funded into a "loan" of

\$297,000,000, bearing 4% interest, the customs tax and then the salt tax being specified as their security.

Strangely enough, these disturbances caused no appreciable depression in the prices of Chinese securities. For a few years the provinces made a slight effort to bear their share of the charges on this debt, but soon fell in arrears. Thus China was unable to pay the interest at first, but she found little difficulty in borrowing as much as was needed for this purpose, due to the policy of the powers; the United States alone waived the excess of indemnity above the actual losses of her citizens.

Many railway bonds have been issued, guaranteed by the government, and great belief was shown in their value, as in the case of the Hukwang Railway Loan of \$29,160,000, which sold on issue at a premium of $\frac{1}{2}$ of 1% and was subscribed several times over. One of the railroads whose bonds were guaranteed at this time is the principal source of revenue for the government at present.

The total amount of Chinese rail-

way loans up to 1914 amounted to \$252,478,920, of which about \$7,000,000 has been repaid. Almost all of these loans were contracted after 1900. The railway itself is the security pledged by the government besides its own guarantee and sometimes certain taxes. The main railway lines of China should pay good dividends if properly managed, and were run at a net profit of \$2,300,000 for the six months ending Dec. 31, 1914, and this in spite of the European War, which reduced shipments.

In August, 1911, the Revolution occurred and no one was willing to lend to one party as against the other, the powers seeming to feel that it was a purely national affair, and not one with which foreigners should interfere. Once the abdication of the Emperor was proclaimed, Russia was only too willing to help, but found no government, no revenues and, in fact, nothing but debt.

The new government took over the indebtedness of the old, but this did not give them any revenue and they found it practically impossible to collect any,

the entire country being disunited and in disorder. Fortunately, all through the Revolution the customs, in accordance with the terms of former loans, had been under the control of the foreign powers and this had paid the interest on the external loans, but the payments on the indemnities were in arrears.

Several loans were partially negotiated, among them those of the Currency Reform, Crisp, and Anglo-Belgian Syndicate, and finally China obtained the "Reorganization Loan" in 1913 of \$121,500,000 from the Six (later five) Power Group. It provided for a reorganization and administration of the salt tax by the representatives of these powers. The net receipts from the salt tax in 1914 were over \$29,000,000. The sum obtained from this loan was only about one-half the amount needed to set the finances of the country in order, but it was sufficient for the refunding and adjustment of the external obligations. No reorganization of internal affairs being possible this additional burden, combined with the disorganized political

situation, precipitated the struggle of July, 1913.

In 1914 and 1915 two "conversion" loans aggregating \$22,000,000 were added by the Republican Government and now a much needed loan of \$5,000,000 is being negotiated.

In 1914 a new departure was made in Chinese financial history when a \$16,000,000 internal 6% loan was issued. Being oversubscribed by \$8,000,000, it was raised to \$24,000,000 and again in 1915 an internal loan of \$24,000,000 was issued at 90, also with an interest rate of 6%. This was successful, many subscriptions coming from Chinese living in foreign countries.

Aside from the pressing necessity of reorganization and peace, the discouraging factor in Chinese financial administration is just this—while, theoretically, the form of government is modern, many of the old practises persist, especially in the collection of taxes. Then, too, foreign nations have insisted that no higher customs duties may be levied than the agreed upon 5%—now in

reality only about $3\frac{1}{2}\%$, due to the rise in prices of which the specific duty cannot take advantage. So that China cannot, like other nations, increase her revenue from this source.

China's debt should not be the heavy burden it appears to be, as her large natural resources are practically untouched and railways will enable them to be developed.

It is interesting to note that Chinese Bonds were recently selling on the London market at within 1% of the best British issues.

Back of all China's bonds is the good faith of a government which has never repudiated a debt.

CHINA

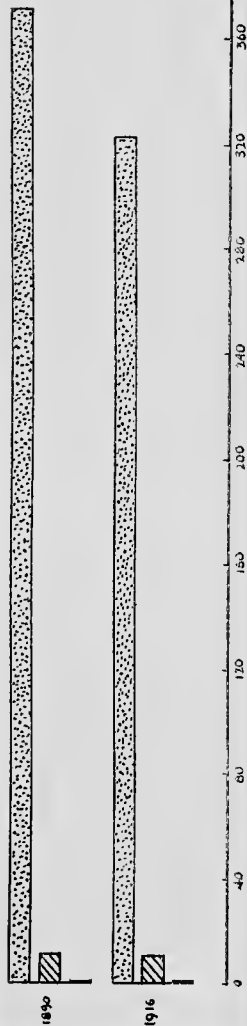
Date	Estimated Population	\$ Estimated Wealth	\$ Debt	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1870	260,925,000	.....	.....	.....	.....	.....
1887-90	377,636,000	.....	25,000,000	.....	.66	.....
1894	350,000,000	.....	267,300,000	.....	.76	.....
1912-14	325,000,000	10,000,000,000	969,189,000	30.70	2.98	6.67%
1916	.....	.....	1,166,603,063	.....	3.59	11.69%

CHINA

POPULATION
IN MILLIONS

WEALTH
IN BILLIONS

DEBT
IN BILLIONS



Name % Orig'l Amt. Issued at	1874-76 8% £627,615 95		1877 8% £1,604,276 98		1884 7% £1,000,000 98		1884 7% — —	
Year	High	Low	High	Low	High	Low	High	Low
1877	107	98						
78	107	98	105	98				
79	109	101	109	100				
1880	109	101	110	101				
81	110	102	110	102				
82	112	105	112	105				
83	110	103	110	104				
84								
85					116	111	119	112
86					118	113	120	115
87					116½	109½	119½	111
88					114	105½	118	108
89					111½	104	113½	108
1890					109½	103	109	103

Name % Orig'l Amt. Issued at	1884 6% — —		1884 6% — —		Silver Loan 7% £1,635,000 98		1895 6% £3,000,000 96½	
Year	High	Low	High	Low	High	Low	High	Low
1885	109	105	110	107				
86	115	108½	114	108				
87	113	107	114½	106¾				
88	111½	105	111	104½				
89	110½	105	109	104				
1890	107	101	108	101				
91								
92								
93								
94								
95					120	90	107¾	98¾
96					122⅞	112⅞	110½	103
97					116½	98½	111½	105¾
98					102¾	95½	109½	103
99					108¾	97¾	109	104¾
1900					102	92¾	106	92
01					104¾	98	107	100¾
02					102¾	83	107½	103
03					93	86	106¼	102
04					92⅞	83½	106½	97
05					98¾	91½	107	103¾
06					105¾	96½	107	102⅞
07					107	94½	107	102¾
08					100¾	87½	107½	103
09					93	83¼	108¼	103¾
1910					82½	81	108	103
11					86⅞	82	106¼	102
12					97½	81¾	104¾	100¾
13							103½	100
14							102	—

Name % Orig'l Amt. Issued at	April 1895 6% £1,000,000 106		1896 5% £16,000,000 98¾		1898 4½% £16,000,000 90		Imperial Ry. 5% £2,300,000 97	
Year	High	Low	High	Low	High	Low	High	Low
1896	115¾	104	102	97¾				
97	114¾	109½	102¼	96				
98	112	106	102½	94½	89¾	83		
99	110¼	104¾	101¾	94	88¾	78½		
1900	107	93	102	80	86	64¾	97	83
01	107½	100¾	99	93	89¼	80	93½	71
02	107½	104	103¾	97¾	94	88	96	80
03	107	102½	103	97	94½	89¾	93¼	90¾
04	106½	99½	103¾	94	93½	83½	98½	92
05	106¾	103¼	106	100¾	100½	92¾	98¼	82¼
06	106½	103	105¾	100¾	101¼	95¾	106½	97¾
07	106¾	102¼	104	99½	100¾	93¾	105¾	99¾
08	107¾	103¾	105¾	100¾	101	95¾	104¼	99½
09	108½	103¾	106¾	102½	102¾	98½	104½	100¾
1910	108	103¼	105¾	102½	102¾	99¾	105½	101¾
11	108	102¾	105¾	99¾	102¾	94¾	106¾	102
12	104½	100¾	103¾	98½	98½	93¾	105½	99
13	104½	100¾	102¾	97½	96	89¼	102½	98
14	102	—	102¾	96¾	95	87	102	96½
15			100½	91½	90¾	82	101½	98¼
16			95	88	83	75¾	97½	87
							91	79¾

Name % Orig'l Amt. Issued at	Canton Kowloon Ry. 5% £1,500,000 100		Shanghai N'chowN'gpo Ry 5% £1,500,000 99		Tientsien Pokow Ry. 5% £7,000,000 98¾		Shanghai Nanking Line 5% £3,250,000 97½	
Year	High	Low	High	Low	High	Low	High	Low
1905	107¼	98						
06	106¼	100¾						
07	105¾	99						
08	104¾	99	103½	100¼	104¾	99¾	104¾	100½
09	107¼	102	105	100½	106	101¼	107¼	102¾
1910	107½	103	106¼	101¾	106¾	101¾	107	101¾
11	106¾	97½	104¾	96½	105½	97½	105¾	97
12	101	95¾	100	94½	101¾	95	101¾	95½
13	99	88	98¾	87¼	98½	87¾	99	88
14	92	82	89½	82	91¼	86	91¾	84
15	81	70¾	82	73	83	76	82	70
16	77	69¼	76½	71½	76¾	69	76¾	69¾

Name % Orig'l Amt. Issued at	1908 5% £5,000,000 98		Hukuang Rys. 5% £6,000,000 100½		Supplement'y T. P. Loan 5% £4,800,000 100½		5% 1912 £10,000,000 95		Reorgan'tion Loan 5% £25,000,000 90	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1909	105¾	100½								
1910	107¾	102¼								
11	106	96¾	104¾	97½	104¾	97½				
12	100¾	94	101¼	95½	100¾	94½				
13	97½	84½	97	91½	87	86¼	95	86½	90¾	89
14	93	81	94	91¼	89¾	81¾	91½	80	92	81½
15	78	70¾	82¾	77	80½	76¾	85	75	82	70
16	75	68	78	72¾	76¾	67¾	79¾	71	80	72

JAPAN

THE national indebtedness of Japan dates from the beginning of the Meiji era in 1867, when the power of the Shogun gave way to that of the Mikado and Occidental influence began to be felt. It was then necessary to indemnify the feudal nobles and samurai, for which purpose \$93,835,000 of bonds were issued and later \$10,535,000 in bonds was also given in part payment of their debts. This and the \$7,350,000 debt from the Satsuma Revolt in 1877, together with a few small amounts borrowed for public improvements, represented the total debt of Japan until 1894.

The Chinese-Japanese War in 1894-95 brought about a comparatively large increase of debt, about \$66,150,000 being added. This was followed by a period of great domestic expansion and industrial activity during which the currency of the country was placed on a gold basis. For this the surplus revenues and the

Chinese war indemnity of \$152,000,000 did not suffice and in 1899 made necessary the first large external debt, \$48,600,000 being borrowed in England at an interest rate of 4%. These bonds were issued at 90, going within a year to 105. Except for a drop to 89½ during part of the Russo-Japanese War they remained near this price until redeemed in 1910-12.

The war with Russia in 1904-05 brought Japan once more before the world as a borrower and two 6% loans were floated at 93½ and 88, respectively, which on the announcement of her victory went up ten points. This enabled Japan in 1905 to raise abroad a 4½% loan which was issued at 87⅝ and has averaged higher in most years since. Also, in 1907 she was able to redeem all higher interest bearing loans by one bearing 5% interest.

The Russo-Japanese War added in all \$714,910,000 to the national debt, of which \$198,450,000 was internal and \$516,460,000 external obligations.

Japan now entered upon a period of intense development, for which were

borrowed large sums. The \$845,640,000 sometimes calculated to stand for her war debt includes these. High taxes also helped to carry its burden.

Japan's expansion into Korea, Formosa and China has added greatly to her material resources and a large portion of her debt represents a consolidation of old debts and permanent public improvements, such as railways, telephones, and telegraphs. The present funded debt of Japan is \$1,251,316,800, of which, roughly speaking, 32.3% is due to war, 20.8% represents railways and 40% is the consolidation of the old feudal pensions debt.

All of Japan's external bonds have risen in price from that of issue, as may be seen from the following table:

Year	Amount	Interest Rate	Issue Price	1912 Price
1899	\$43,740,000	4%	90	96¾
1902	23,300,000	5%	100	101
1904	22,356,000	6%	93½	Redeemed
1904	26,244,000	6%	90½	Redeemed
1905	65,610,000	4½%	90	98¾
1905	43,740,000	4½%	90	98¾
1905	28,431,000	4%	90	96¼
1907	55,404,000	5%	99½	103¾
1910	50,787,000	4%	95	Conversion

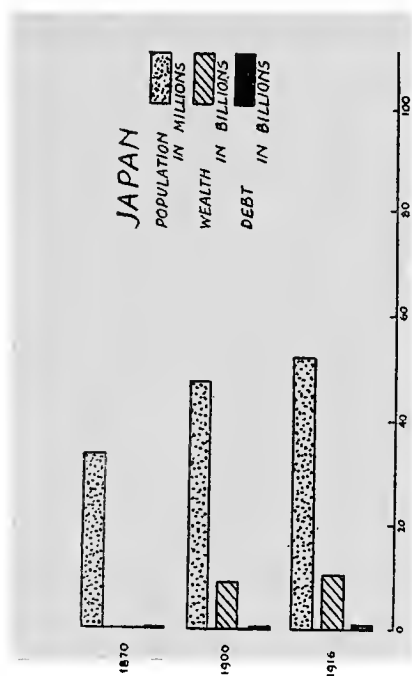
Japan occupies the unique position of a warring country which has been able to reduce its indebtedness. This is probably due to two causes—the sale of munitions to the other allies and the fact that it, alone of all the nations of the present war, is not fighting for what it believes constitutes its existence. Besides paying off \$5,000,000 last year, she has called for redemption \$2,480,000 of bonds this year.

COMPARATIVE DEBT OF JAPAN.

	Total Debt	Per Capita
1870.....	\$240,000,000	\$6.11
1914.....	1,251,000,000	23.92
1916.....	1,234,000,000	23.30

JAPAN

Date	Estimated Population	\$ Estimated Wealth	\$ Debt	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1870	33,110,796	.....	48,000,000	.....	1.45	.....
1887-90	39,069,691	.....	240,000,000	.....	6.11	.....
1900	47,515,984	.....	253,934,400	.....	5.80	.....
1912-14	52,985,423	9,749,040,000	1,251,316,800	186.36	23.92	12.84%
1916	.....	....	1,234,000,000	.....	23.30	12.50%



Name	Custom Loan For Railways 1870 9%		Silver Loan 1873 7%		1892-93-95 5%		1897 5%	
Orig'l Amt. Issued at	£1,000,000 98		£2,400,000 92½		Yen 175,000,000 Various		Yen 43,000,000 103⅝	
Year	High	Low	High	Low	High	Low	High	Low
1864								
65								
66								
67								
68								
69								
1870								
71	112	99						
72	114	106						
73	113	105						
74	113	96	102½	88				
75	116	104½	106	96				
76	114	100	106	92				
77	115	104	—	—				
78	115	105	—	—				
79	118	103	108½	105				
1880			111	104				
81			116	106				
82			115	105				
83			112	105				
84			111	102				
85			114½	104				
86			118	108				
87			119¼	110				
88			117¾	109⅞				
89			115	107				
1890			114½	106				
91			113	107				
92			110¾	103½				
93			110	104				
94			109¾	103				
95			111	104½				
96					53½	52	105⅝	98¾
97					53½	46	105⅝	99
98					49½	44¾	105⅝	99
99					50½	43	108¼	99
1900					48½	43	105	93⅞
01					48½	45	103½	98
02					48⅜	43¾	106⅝	100½
03					49	43¾	105⅝	87½
04					44⅝	32½	90	75½
05					49¼	41½	103¼	87½
06					48½	45¾	101¾	100⅞
07					47½	44	103	96
08					46	41½	102	95¾
09							103⅞	100
1910								
11								
12								
13								
14								
15								
16								

Name % Orig'l Amt. Issued at	Sterling Loan 1899 4 % £10,000,000 90		1903 5 % Yen 50,000,000 102½		Sterling Loan 1904 6 % £10,000,000 93½		Sterling Loan 1905 4½ % £30,000,000 90	
Year	High	Low	High	Low	High	Low	High	Low
1899	88¾	83						
1900	86	75½						
01	83	74¾						
02	89¼	74¾						
03	89½	76½	101¾	87½				
04	78½	62	90¼	72½	97¾	92¾		
05	93½	76¼	103¾	87½	102½	94½	98½	88¾
06	93½	87	103¾	100½	101½	96½	99½	93½
07	89	80	103	96	100¾	96¾	98½	87¾
08	86¼	79½	102	95¾			95½	88¾
09	93½	84					100½	94¾
1910	96½	90½					101¾	98¾
11	93½	86¾					101¾	95½
12	88	81¼					99¾	93½
13	82¾	77¼					95¾	88½
14	78¾	72					96½	86½
15	74½	62					94½	83
16	75¼	67½					95¾	89¾

Name % Orig'l Amt. Issued at	Sterling Loan 2nd Series 1905 4½ % £30,000,000 90		Sterling Loan 1905 4 % £25,000,000 90		1907 5 % £23,000,000 99½		1910 4 % £11,000,000 95	
Year	High	Low	High	Low	High	Low	High	Low
1895								
96								
97								
98								
99								
1900								
01								
02								
03								
04								
05	96½	90¾						
06	97½	92½	90½	86½				
07	96½	87	89	79¾	102¾	95¾		
08	94½	86½	87	78	102¾	95½		
09	99½	92¼	93¾	83½	101½	100		
1910	102½	97¾	96¾	91½	107½	102¾	94	90¾
11	101¾	95½	96	90½	106¾	99½	93½	85¾
12	98½	92¼	93	83¾	105¼	97½	88¾	82
13	95½	87½	89	79¾	102	94½	85¼	76
14	94½	83	86½	77	100½	94½	85	71
15	94½	83	79	71	94	88½	74¾	68
16	95½	89½	83	73½	94½	87¼	73½	68

SOUTH AMERICA

SOUTH AMERICA is very often considered as including also Central America, and this mistake should be especially avoided in considering the financial history of the Southern continent. Neither should it be thought of as a continent whose governments are subject to revolutions, for if one compares the history of Europe during the last hundred years with that of South America, the latter's revolts, insurrections and wars appear insignificant in size, expense and adverse effects.

The economic situation of the South American Republics is very much the same as that of any new and undeveloped countries. Being thinly populated, much capital is needed, the charges for which fall heavily on the limited number of inhabitants, constituting a fairly large item in the annual budgets. As much of the local wealth is devoted to development work, there is little free capital at home to invest and, therefore, the South

American Republics have had to contract more or less heavy foreign obligations.

Their per capita national debts, in the majority of cases, are large as compared with the United States of America, but small as compared with some of the countries of Europe.

While it is certainly true that some of the South American countries have been large and perhaps reckless borrowers (partly on account of the extreme readiness of Europe to lend them funds) and some, at times, have been uncertain in meeting their payments of interest and maturities, still, much of this would seem to have been due to extravagance, over-estimation of the rapidity of development, and, most of all, to inexperienced governments, rather than to intentional bad faith.

While the European governments have been able to obtain their financial experience through a period of several centuries and to do their experimenting on a comparatively small scale, the governments of South America have had to gain their knowledge of national

finance entirely in modern times and on the large scale demanded by this era.

In South America much and rapid development of natural resources has been needed, and for this the various governments, sometimes perhaps over-enthusiastic, have contracted a large proportion of their indebtedness. In the end this means debts which are or will be more or less productive of revenue.

The natural wealth of the countries is enormous; their future appears bright. Much has been accomplished by the South American Republics under adverse conditions and in the very few failures to fulfill absolutely the obligations undertaken, there usually have been extenuating features.

We are too apt to speak of the South American countries as having one identity instead of ten, and those, ten distinctly different ones. The three most important—Argentina, Brazil and Chile—have had stable and responsible governments for many years and their indebtedness is not large compared with their resources. But resources are not always readily

convertible into gold and silver money, especially in such partially developed countries, and the great future of South America sometimes finds it difficult to meet present obligations.

Until recently these countries were in somewhat the same position as that of our Western states at the close of the Civil War—great natural resources, but insufficient population, railways and facilities for developing that wealth. In the case of South America there is little domestic capital to draw upon, such as was in our East, and its place has had to be taken by that of Europe.

There would seem to be a constantly increasing probability that in the future South America will have the capital to buy back from Europe its external bonds. The point in the development of these countries is being reached when the money invested in public improvements, railroads, etc., is beginning to provide revenue, to make accessible the natural wealth, and to greatly increase the capital held in the countries themselves.

The wealth of South America, estimated on the same basis as that used for the nations is about \$30,000,000,000, giving a per capita wealth of \$545.45. This takes little account of the natural resources of the continent.

The many experiments with their currency have affected adversely the credit of some South American Republics, but the idea now being worked out in several of them gives promise of stability through the various "offices of conversion."

The general principle on which these operate is the same in all the countries. Paper notes are issued against deposits of gold, which latter may, on demand, be used to redeem them. This tends to check excessive rises either way in exchange, and so gives as near a fixed value to the currency as possible.

The large immigration of the last twenty years should soon begin to show results in revenue returns from the hitherto unpopulated though naturally rich districts. It is raising the general level of the industrial classes, while civic

capacity is increasing, and Europe has recognized the brilliance of the South American political mind since the first Peace Conference at The Hague, when it "discovered South America."

ARGENTINA

THE ARGENTINE in 1810 revolted against Spain and in 1814 established its independence and later that of Chile, Peru, Bolivia, Paraguay and Uruguay. With the exception of two short but fierce wars against Brazil and one with Brazil against the Paraguayan tyrant Lopez, Argentina has had an uneventful external history but much internal political dissension.

The Paraguayan War in 1866-1868 made it necessary for Argentina to raise a loan of \$12,150,000, which was issued in London at 75 and 72½ and was repaid in 1889. With this exception the national debt has been contracted principally for railroads and public improvements, among which may be mentioned the Trans-Andean Railway and the wonderful port of Buenos Ayres.

The railroads, many of whose bonds are guaranteed by the government, have had some difficulty in paying their

interest charges, due to their being built in new and undeveloped territory, but although these have had to be funded in several instances they have never been repudiated.

In 1889 the Argentine government contracted two large conversion loans having an interest rate of $3\frac{1}{2}$ and $4\frac{1}{2}$ per cent, with which they repaid or took over practically all the earlier 6% bonds. This meant a great saving in interest charges, but in the decade from 1880 to 1890, the principal of debt had increased from \$83,266,249 to \$343,203,737, and in 1890-1891 it became necessary for Argentina to fund the interest on most of her bonds coming due between then and 1894. The outstanding principal of this funding loan of £7,630,680 was finally paid off in 1906. At this time the prices of Argentine securities declined heavily, as was to be expected, but they soon rose again to normal prices.

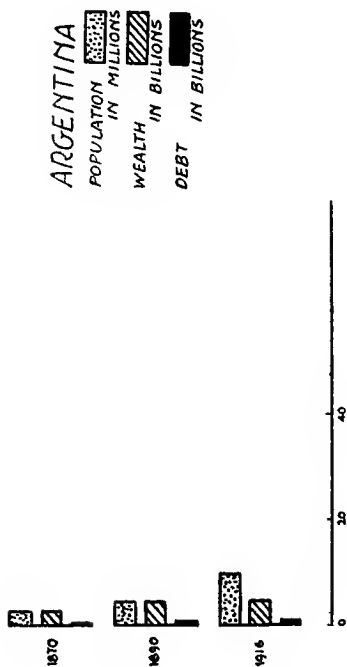
In 1893 it was apparent that the payments of interest and maturities could not be resumed in the following year as agreed, and an arrangement was made

to fund or extend the time of payment of the various loans and part of the interest charges until 1899-1901. The resumption of full payments was anticipated by one year and by 1913 the government had paid off a total of nearly \$107,000,000 of her national indebtedness.

The national debt of Argentina in 1914 was officially stated as \$545,023,470, of which approximately four-fifths is external, while a number of provincial bond issues are guaranteed by the central government.

ARGENTINA

Date	Estimated Population	\$ Estimated Wealth	\$ Debt	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1870	1,830,414	.....	47,000,000	.....	25.63	.....
1887-90	3,945,911	2,997,764,000	353,000,000	759.71	89.46	1.18%
1900	3,916,492	.....	440,000,000	.....	112.34	.....
1912-14	9,000,000	.....	545,023,470	.....	60.56	.....
1916	.....	.....	563,523,000	.....	62.62	.....



[illegible]

Name % Orig'l Amt. Issued at	Railway 1881 6% £2,450,000 91		1882 6% £817,000 92½		1884 5% £1,683,100 84½		1886—87 5% £8,330,000 85½		Treas. Cons. 1886 5% £624,000 —	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1865										
66										
67										
68										
69										
1870										
71										
72										
73										
74										
75										
76										
77										
78										
79										
1880										
81	97½	91								
82	100	89								
83	100½	92½	99	92	83½	83½				
84	101	92	100½	92	83½	83½				
85	99½	88	98	90	86	75				
86	103½	93	101½	94	89½	80	90½	80		
87	105	99	103½	98½	95½	85	95½	85		
88	107	100	105½	98½	100½	91½	99½	90½	99¾	90
89	112¾	99			101	90½	101	90½	99½	90½
1890	104¾	88				67½	95½	69	95½	64
91	90	35			68	29	79	53	67	26½
92	59½	40			47	30	76	58¾	45	30
93	60	45			50	33¼	72	58	49	35
94	55½	44½			45½	38½	69¼	60½	46½	38
95	63½	47			57½	39	75½	64	53	39½
96	80	56½			62½	45	87	68¾	61	46
97	87	69			67	53¾	96¾	77½	69¼	54
98	92½	80			73	61	94½	84	74	62
99	95½	87½			76½	69	96¼	88½	77½	67
1900	99¾	87			74¾	67	95	87¼	74¼	67
01	101¾	94			88½	70	99¼	89	87½	70
02	103	97½			88¾	72½	100¾	88	85	70
03	104	100			96	86¾	102½	97½	93	84
04	105	100			100	91	104¾	98½	98½	89½
05	104	100			102	98½	104¾	100½	102½	98
06					102¾	99½	104½	101½	103¾	98½
07					102	97	103¾	99¾	101¾	97
08					104¾	99	105½	100½	103	98
09					105	100½	105½	102	104½	100
1910					104¾	101¼	105¾	102¾	104¼	100¼
11					103½	100¾	105	102¾	104¼	100¾
12					103½	100	106	101¾	104	99½
13					102¾	99½	104	100¾	103	98
14					101¾	95	104	100	102¾	99
15					97	87	101	97	96	84½
16					96½	89	99½	91	92¾	85

92 SOME QUOTATIONS ON ARGENTINE BONDS

Name % Orig'l Amt. Issued at	Central Railway 1888 5% £3,968,000 91½—94—97		Internal 1888 4½% £3,953,900		National Cedula 1888 7% \$15,000,000		Sterling Bonds 1889 4½% £5,263,560 90		1889 3½% £2,659,500	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1881										
82										
83										
84										
85										
86										
87										
88	99½	92½			63½	55				
89	101	92	91	81½	59½	48				
1890	93½	65	84¾	56	50½	23¼	83½	56	65½	43½
91	68	27½	59	26	31	14	60	26½	47	22½
92	45	25	41¼	27	33	20	41½	27	33¾	22½
93	48½	33	43	34¼	33	24	44½	35	33¾	25½
94	46¾	36	44	35½	31	23½	48¾	36½	33	27½
95	54	40	50	39	30¾	24¾	53	39½	37	25
96	66¾	46	57	43½	33¾	25	57	45	47	33
97	67¼	53¾	62	50½	33½	26¼	64	52	46¾	39
98	74	59	72	57	40½	32	73	59	54	45½
99	77¾	65½	76	65½	42¼	35¾	78	69	55	47
1900	75	64¾	74	65	41	35½	74½	67	53	44½
01	89¼	70	77	63½	43¾	37	79½	62½	62¼	49
02	87	70½	77½	66	44	37¾	78½	67	66½	49
03	94¾	83½	87	77	46½	43¾	88	77½	69	58½
04	100	86½	94	84	46¾	42¾	94	85¼	78¾	64
05	102½	97½	99	93½	47½	44¼	99½	93	82¼	74¾
06	102¾	99½	99½	93½	45½	43½	100	94	82½	75½
07	101	96	96¾	90	45½	43	98	88	77¼	70
08	104½	97¾	98¾	91	47	43¾	98	91	78½	71
09	104¼	100¼	100¼	96	48¾	43½	101½	96	80	74½
1910	105	101½	102	98¾			102½	98½	85	78½
11	104¼	100¾	102	97			102	98¼	87	82½
12	104¼	100	101	95½			101	96½	85	79
13	103	99½	98	92			99¾	93	80	74¼
14	103	99	96¾	91½			100	91½	81	77
15	100½	85½	89½	78			88¾	79½	81½	69
16	96¾	84	86	77			86	77¾	84½	71

Name % Orig'l Amt. Issued at	Ext. R'y Loan 1909 4½% £2,380,952 88½		Ext. R'y Loan 1910 5% £1,047,620 96½		Int. Gold L'n 1910 5% £1,209,600 101		Irrigation 1914 5% £1,367,500 98		Treas. Bonds 1915 6% £16,000,000 —	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1910	96	93	99¾	96			102	96½		
11	96½	90	100½	96	104½	100½	92½	84	102	96½
12	94¼	88¾	101½	96	104½	100	88	81½	103	100¾
13	91	83	98½	90	104	98½				
14	84	78	96½	89¼	102	97½				
15	41	38	53¼	47½	92	87				
16	47	39¾	52¾	44	91¾	83				

Name % Orig'l Amt. Issued at	Funding Loan 1890 6% £7,630,680		Central Railway 1890 5% £2,976,000 87		B. A. W. S. & Dr. 1892 5% £6,324,400		Ry. Guar. Resc. 1896 4% £11,607,100	
Year	High	Low	High	Low	High	Low	High	Low
1891	68 $\frac{3}{8}$	48						
92	78 $\frac{3}{8}$	49						
93	75 $\frac{3}{8}$	59 $\frac{5}{8}$			57 $\frac{1}{2}$	52		
94	74 $\frac{1}{4}$	63			62 $\frac{1}{2}$	49 $\frac{1}{2}$		
95	80 $\frac{3}{8}$	67 $\frac{3}{4}$			65 $\frac{3}{4}$	54		
96	87 $\frac{3}{4}$	71 $\frac{1}{2}$			73	56		
97	90 $\frac{1}{4}$	77 $\frac{1}{4}$			72 $\frac{3}{8}$	61 $\frac{1}{2}$	60 $\frac{1}{2}$	56
98	93 $\frac{1}{2}$	81			78 $\frac{1}{2}$	64	63 $\frac{3}{4}$	51
99	97	88 $\frac{3}{4}$			81 $\frac{3}{8}$	70 $\frac{1}{2}$	65 $\frac{1}{4}$	54
1900	96 $\frac{1}{4}$	89 $\frac{3}{4}$			79	71	63 $\frac{3}{8}$	55 $\frac{1}{2}$
01	100 $\frac{3}{8}$	88			93 $\frac{3}{8}$	74 $\frac{1}{2}$	73 $\frac{1}{2}$	55
02	101 $\frac{3}{8}$	91 $\frac{1}{2}$			90 $\frac{1}{2}$	77 $\frac{3}{4}$	72 $\frac{3}{4}$	58 $\frac{1}{4}$
03	103 $\frac{1}{4}$	99 $\frac{5}{8}$	95 $\frac{3}{4}$	86	96 $\frac{1}{4}$	87 $\frac{1}{2}$	80 $\frac{1}{2}$	70 $\frac{1}{2}$
04	105 $\frac{1}{2}$	100 $\frac{1}{2}$	100 $\frac{3}{4}$	88 $\frac{1}{2}$	101 $\frac{1}{2}$	89 $\frac{1}{4}$	88 $\frac{1}{8}$	74
05	106 $\frac{1}{4}$	100 $\frac{1}{8}$	102 $\frac{1}{4}$	98 $\frac{1}{2}$	104 $\frac{1}{4}$	98 $\frac{3}{8}$	93 $\frac{3}{8}$	85 $\frac{3}{4}$
06			102 $\frac{1}{2}$	99 $\frac{3}{8}$	104 $\frac{3}{8}$	100 $\frac{1}{4}$	94 $\frac{7}{8}$	88 $\frac{7}{8}$
07			101	96 $\frac{7}{8}$	103	97 $\frac{1}{2}$	93	82
08			104	98 $\frac{1}{4}$	105	99 $\frac{1}{2}$	94	85 $\frac{3}{4}$
09			104	100 $\frac{1}{2}$	105 $\frac{3}{4}$	100 $\frac{7}{8}$	97 $\frac{1}{2}$	90 $\frac{3}{4}$
1910			104 $\frac{1}{2}$	101 $\frac{1}{2}$	105 $\frac{1}{2}$	102	98	94 $\frac{1}{8}$
11			103 $\frac{3}{4}$	100 $\frac{3}{4}$	105	102	96 $\frac{1}{2}$	91 $\frac{1}{8}$
12			103 $\frac{1}{2}$	100	105 $\frac{1}{4}$	100 $\frac{3}{4}$	95 $\frac{1}{2}$	87 $\frac{1}{2}$
13			102 $\frac{1}{2}$	99 $\frac{1}{2}$	103 $\frac{1}{2}$	100	91 $\frac{1}{2}$	84 $\frac{1}{2}$
14			102	98	103 $\frac{1}{4}$	98 $\frac{1}{4}$	88 $\frac{3}{4}$	79
15			97	89 $\frac{1}{2}$	100	91 $\frac{1}{2}$	82 $\frac{1}{2}$	78
16			91	86	97 $\frac{1}{2}$	87	81 $\frac{1}{2}$	74
Name % Orig'l Amt. Issued at	5 Issues 1897-99 4% £16,787,723		Port of B. Ayres 1891 & 1913 5% £7,000,000 99		Internal Loan 1907 5% £7,000,000 97 $\frac{1}{2}$		Internal Loan 1909 5% £10,000,000 98	
Year	High	Low	High	Low	High	Low	High	Low
1898	63 $\frac{7}{8}$	51						
99	64	51						
1900	63 $\frac{3}{8}$	53						
01	71 $\frac{3}{8}$	53 $\frac{1}{2}$	84	77 $\frac{1}{2}$				
02	71	56	86	78				
03	78 $\frac{1}{2}$	70 $\frac{1}{2}$	94	83				
04	86 $\frac{5}{8}$	72 $\frac{1}{4}$	100 $\frac{5}{8}$	91 $\frac{1}{2}$				
05	93	85 $\frac{1}{4}$	104 $\frac{3}{4}$	99 $\frac{1}{4}$				
06	93 $\frac{1}{4}$	84 $\frac{1}{2}$	104 $\frac{1}{2}$	99 $\frac{1}{2}$				
07	89	79	103	96 $\frac{3}{4}$				
08	89	83	104 $\frac{5}{8}$	98	103	95 $\frac{3}{4}$		
09	91 $\frac{1}{2}$	85 $\frac{1}{4}$	105 $\frac{5}{8}$	101	104 $\frac{3}{4}$	99 $\frac{1}{2}$	103 $\frac{7}{8}$	101 $\frac{1}{8}$
1910	93	89	104 $\frac{1}{2}$	100 $\frac{1}{4}$	104 $\frac{1}{4}$	101 $\frac{1}{2}$	105 $\frac{1}{4}$	100 $\frac{3}{8}$
11	86 $\frac{1}{4}$	88 $\frac{3}{4}$	104 $\frac{7}{8}$	101	104 $\frac{1}{2}$	100 $\frac{5}{8}$	104 $\frac{1}{2}$	100 $\frac{5}{8}$
12	89	82	104 $\frac{3}{4}$	99	103 $\frac{3}{4}$	100 $\frac{1}{2}$	103 $\frac{1}{2}$	99 $\frac{1}{2}$
13	86	80	101 $\frac{3}{4}$	99 $\frac{7}{8}$	102 $\frac{1}{2}$	98 $\frac{1}{2}$	103	98 $\frac{1}{4}$
14	85 $\frac{1}{4}$	74	102	98	102 $\frac{1}{2}$	97 $\frac{3}{4}$	103	98 $\frac{1}{2}$
15	93 $\frac{3}{4}$	69 $\frac{3}{8}$	93 $\frac{3}{8}$	84	93 $\frac{1}{2}$	87	95	85
16	75 $\frac{1}{2}$	64	87 $\frac{3}{4}$	82	89 $\frac{1}{2}$	82 $\frac{1}{2}$	92 $\frac{1}{4}$	85

BRAZIL

BRAZIL became independent of Portugal in 1823 and at that time took over \$7,290,000 of Portugal's obligations. The first foreign loan was made in 1824 with British interests and was for \$6,479,838. In 1827 the national indebtedness was consolidated and an attempt to create a sinking fund was made.

In 1825 the country went to war with Argentina, the outcome of which was that Uruguay became independent and the national debt was augmented by an external loan of \$3,738,312.

In 1848 Brazil was again fighting Argentina but nevertheless the decade from 1850 to 1860 was a time of prosperity and one of the few periods free from yearly deficits. It was followed by the War with Paraguay, which terminated in 1870, having cost Brazil at least \$243,000,000. This of course entailed the contracting of large foreign loans.

In 1889 by a peaceful revolution,

Brazil became a republic. Several unimportant insurrections occurred in the succeeding years but on the whole the Brazilian Republic has had an uneventful history.

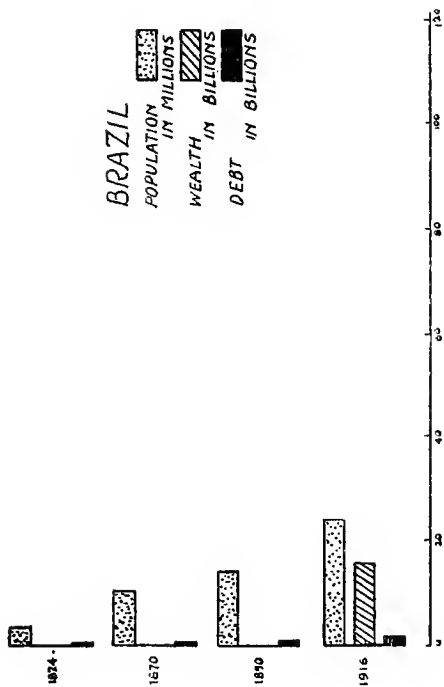
There are two factors which have contributed to form Brazil's large debt: the costly wars in which she has engaged and a reprehensible habit of covering deficits with borrowed capital. Both are fortunately now things of the past. The present government is fully alive to the necessity of reducing the debt of the country and is making a great effort to economize in its expenditure in order to make the revenue meet all expenses of the government.

The present external debt of the nation is \$528,243,120, the internal debt is \$190,001,700 and the paper circulation amounts to \$313,022,000 of which \$289,382,000 is inconvertible.

BRAZIL

Date	Estimated Population	\$ Estimated Wealth	\$ Debt	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1824	3,817,900	.....	25,204,932*	.....	6.60	.....
1848-50	5,300,000	.....	58,543,560*	.....	11.04	.....
1870	10,123,054	.....	191,273,167	.....	15.59	.....
1887-90	14,002,335	.....	359,640,000	.....	25.68	.....
1900	17,371,069	.....	780,104,000	.....	44.90	.....
1912-14	24,000,000	15,000,000,000	843,923,000	625.00	35.16	5.62%
1916	.....	.....	1,031,266,820	.....	42.96	6.87%

*Estimated.



100 SOME QUOTATIONS ON BRAZILIAN BONDS

Name % Orig'l Amt. Issued at	1852—1858 4½ % —		1839—1859 5 % —		1860 4½ % £1,373,000 90		1863 4½ % £3,855,300 88	
Year	High	Low	High	Low	High	Low	High	Low
1864	86	83	103	94	86	83	86	80
65	85	67	102	92	85	67	85	67
66	68	62	98	92	68	62	70	60
67	—	—	101	94	—	—	67	60
68	—	—	—	—	—	—	71	63
69	79	72	—	—	—	—	75	66
1870	93½	74	93½	84½	86	73	83	73
71	—	—	—	—	88	81	88	80
72	94	86½	—	—	93½	85	92½	83
73	98	88	98½	94	98	87	93	85
74	98	92½	96	96	96	91½	96	87
75	99¾	92			96	89	95	85
76	100	90			96	84½	92½	80
77	100½	95			94	89	92	82
78	101	95½			96	91	95	84
79	101½	94			100	92	94	83
1880	102	96			101	96	99	92
81	102	98			102	98	101	94
82	102	97			102	97	102	98
83					100½	96½	103	98
84					—	—	103	98
85					100	100	101½	98
86							102	99
87							102	99
88							102¼	99
89								
1890								
91								
92								
93								
94								
95								
96								
97								
98								
99								
1900								
01								
02								
03								
04								
05								
06								
07								
08								
09								
1910								
11								
12								
13								
14								
15								
16								

SOME QUOTATIONS ON BRAZILIAN BONDS 101

Name	1865		1871		1875		1879	
%	5%		5%		5%		4½%	
Orig'l Amt.	£6,963,500		£3,459,600		£5,301,200		£5,837,062	
Issued at	74		89		96½		—	
Year	High	Low	High	Low	High	Low	High	Low
1864								
65								
66	76½	66						
67	77	70						
68	79½	71						
69	88½	77½						
1870	93½	84½						
71	97½	89½	94½	87½				
72	100	93	99½	91½				
73	100½	93	99	93				
74	102	95	103½	95				
75	101½	91	101½	90	98	90		
76	99	83	98	82	98	81½		
77	97	88	95	86	95	87		
78	99	89	96	84	94	84		
79	97	86	94	85	94½	83		
1880	100	94	99	92	99	91	87½	—
81	104	96	104	95	103½	95½	95	85½
82	104	98	103	98	104	98	95	89
83	104	98	103	97	103	96	91	87
84	102	93	103	92	103	91	90	83
85	100	93	99	91	99	91	88	82
86	101	96	101	96	100	96	95	87
87	103¾	98	103	98	104	97¾	99	93¾
88	104	99¾	104	99¾	105¾	100	100	96¾
89							102¼	81½
1890							95	81
91							94	60
92							86	68½
93							86	61½
94							87	65½
95							92	84
96							92	73
97							84	65
98							71	48
99							68	56
1900							67	57
01							75	62¾
02							80¾	70
03							84¾	73½
04							87	78
05							94½	86
06							94½	87
07							89	82
08							89	82½
09							94¾	83
1910								
11								
12								
13								
14								
15								
16								

102 SOME QUOTATIONS ON BRAZILIAN BONDS

Name	1883		1888		1889		1895	
%	4½ %		4½		4 %		5 %	
Orig'l Amt.	£4,599,600		£6,297,300		£20,000,000		£7,442,000	
Issued at	89		97		90		85	
Year	High	Low	High	Low	High	Low	High	Low
1864								
65								
66								
67								
68								
69								
1870								
71								
72								
73								
74								
75								
76								
77								
78								
79								
1880								
81								
82								
83	90½	85½						
84	87	81						
85	87	82						
86	93	83	99	94½				
87	96¼	90½	102¾	96½				
88	101	94	104	100				
89	102½	78	105½	99½				
1890	93	73½	92¾	79	85¾	76½		
91	85	53¼	85½	52½	79¾	49		
92	77	58	77½	56½	68¾	54		
93	76½	59	77	56	73	55½		
94	82	58	82½	58	77¼	57		
95	82	66	83¾	67	80	61¾		
96	80	66	80¼	65	75¼	60½	82	68¼
97	72¼	61	74	61	71¼	59¾	81	65
98	68	44	61¼	43	61¾	41¾	69½	46
99	69¾	56	60	55½	68	55½	74½	63½
1900	69	57	68	58	67¾	57½	76	65
01	77	63¾	75¾	64	71¾	62¾	85½	72½
02	82½	70¼	84	68½	77½	66½	90	80¼
03	85	79½	85½	81	79¾	75	93½	87¼
04	88¾	77¼	89	81	86	72	97¾	85½
05	94¾	83¾	97½	87¾	92¼	82½	102¼	96½
06	96	86½	97¾	87¼	92¾	82¾	102	94¾
07	90	80	94	83	86¾	76¾	99¾	92½
08	92	83½	92	84¼	85¾	78¼	98	90½
09	95	84¼	94½	84¼	89¾	79¾	102¾	92½
1910	101¾	93¾	102	94	92¼	88	103¾	99½
11	100¾	95½	102	97	91½	85½	103¾	100
12	102	96¼	102	96½	90	81	103¾	99½
13	98	93½	102	87	85¾	72½	103	90½
14	89	79	95	80	77½	64½	96	82
15	64¼	52¾	58½	45	56	43¼	67½	54½
16	61¼	50½	61	48½	57¾	44½	73	56½

Name % Orig'l Amt. Issued at	W. of Minas 5% £3,710,000		Funding Bonds 5% £10,000,000		Ry. Gar. Res. 1902 4% £16,619,320		1903 5% £8,500,000 90 and 97	
Year	High	Low	High	Low	High	Low	High	Low
1895	86½	67½						
96	82½	65						
97	78	60¾						
98	65½	42¾						
99	72½	56	91¾	79				
1900	73¾	57¾	89	81				
01	84¾	70¾	95¾	83½				
02	86¾	79½	101¾	92½				
03	90	84¾	103	99½	76	71¾		
04	94¾	85	104¾	99½	84¾	70¾	97½	87¾
05	101	93½	106	101¾	91½	82	101¾	96¾
06	103	94½	106½	101½	91¾	83	102½	94½
07	99¾	90¾	106	99¾	86¾	78½	99¾	92½
08	98¾	90¾	105	100¾	87	79	99	93½
09	102½	93	106	102	90½	78½	102¾	93½
1910			105½	101¾	91½	87¾	104½	100½
11			105¼	102¾	89½	85¼	104½	100¾
12			105½	99	87½	81½	104	100¼
13			104½	99	84½	74½	103	95
14			101½	95	77	64½	98½	92
15			99½	88½	56½	44¾	92½	75¾
16			94¾	84	57	42½	84½	76

Name % Orig'l Amt. Issued at	1908 5% £4,000,000 96		1910 4% £10,000,000 87½		1911 4% £4,500,000 92		1911 4% £2,400,000		1913 5% £11,000,000 97	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1895										
96										
97										
98										
99										
1900										
01										
02										
03										
04										
05										
06										
07										
08										
09	102½	93½								
1910	102¾	99½	90	86½						
11	103	99¾	89½	83¾	92¼	88¾				
12	103½	99	87	78½	94¾	90¾	83	79		
13	102	95	85½	71	95½	84	82	71¼	74¾	72
14	94¼	89½	77	60	91	75	75	64½	93½	69
15	70	55	56	41½	59	41	54	40½	67½	55½
16	72½	58½	58½	44¼	59	45	57	43	69¾	55¼

CHILE

IN 1810 Chile began her struggle for the independence which was finally established in 1824, and in 1833 the constitution was drawn up and the country united. Her first public loan was raised in London in 1822 for \$4,860,000.

Three small revolts, boundary disputes with Argentina, Peru and Bolivia and a short war with Spain, were none of them important enough to have much effect on the general peace and prosperity of the country.

But in 1879-1882 Chile was at war with Peru and Bolivia and though she gained most of the nitrate fields, a great source of wealth, it added a large amount to her national debt. The present debt began at that time.

In 1891 civil war broke out, caused by political differences, but it lasted less than a year and with that exception Chile has had little serious political dissension. Much of Chile's debt represents money

used for railway construction, harbour improvements and public works.

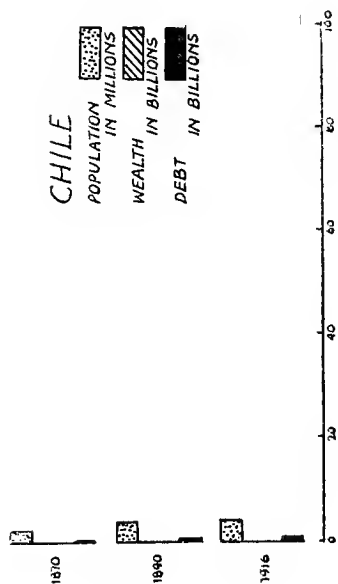
Chile has always met her foreign obligations. It is stated that, during the Balmaceda Civil War, on the day when payments on the external loan were due in London, a representative of each faction was waiting at the bank with the amounts due.

In 1914 Chile's total funded debt was \$209,376,082, of which \$168,901,968 was external and \$40,474,114 internal.



CHILE

Date	Estimated Population		\$ Debt		\$ Debt Per Capita	
1848-50	1,083,801		.....		.....
1870	2,075,971		63,400,000		.....
1885	2,527,320		54,151,314		21.43	
1900	2,924,404		109,537,275		38.52	
1912-14	4,000,000		210,136,000		52.53	



110 SOME QUOTATIONS ON CHILEAN BONDS

Name % Orig'l Amt. Issued at	1858 4½%		1866 7%		1867 6%		1870 5%	
Year	High	Low	High	Low	High	Low	High	Low
1864	84	80			103	98		
65	83	72½			101½	98		
66	—	—			—	—		
67	75	66	94	86	102	92		
68	77	66	104½	90	104	98		
69	79	71	105	100	—	—		
1870	—	—	108	98	102½	93	91	82
71	87	77	108	102	105	98	98	88½
72	90	82	109	103	105	100	101	93
73	89	83	109	100	105	99	99	91
74	86	80½	107	102	105	99	96	90
75	86	80	108	101	105	98	96	89
76	85	67	109	93	104	83	95	71
77	80	70	107	96	102	95	90	82
78	81	55	106	85	102	73	100	60
79	75	50	100	68	90	58	80	50
1880	71	60	105	91	95	82	83	69
81	86	66	111	100	106	90	98	78
82	87	79	110	103	106	97	99	87
83	—	—	—	—	106	100	98	91¼
84	—	—	—	—	106	100	101	90¾
85	94	87½	108½	100	107¾	100¾	104	95½
86	101½	89¾			108¾	103	105	99¾
87					106	101		
88					105	101½		
89					104¾	101		
1890					104	100¾		
91								
92								
93								
94								
95								
96								
97								
98								
99								
1900								
01								
02								
03								
04								
05								
06								
07								
08								
09								
1910								
11								
12								
13								
14								
15								
16								

SOME QUOTATIONS ON CHILEAN BONDS

III

Name	1873		1875		1885		Conversion Loan 1886	
%	5%		5%		4½%		4½%	
Orig'l Amt.	—		—		£808,900		£6,000,000	
Issued at	—		—		85.65%		96	
Year	High	Low	High	Low	High	Low	High	Low
1865								
66								
67								
68								
69								
1870								
71								
72								
73								
74	95	89						
75	94	85	94	85				
76	90	73	90	73				
77	90	82	90	82				
78	89	58	89	58				
79	78	49	78	49				
1880	81	67	81	67				
81	95	76	95	76				
82	94	87	94	87				
83	—	—	96	91				
84	—	—	100¼	90¾				
85	102½	94	103	93¼				
86	105	94¾	104½	99¼				
87	102½	101½	102	101½	103¾	88¾	102	98
88					103	98¾	103	97½
89					102¾	97¾	106¾	100¾
1890					106¾	100¾	105¼	98½
91					104¾	99¼	99¾	74½
92					100	75	94	87½
93					93¾	88	89½	75
94					88¾	75	96¾	80¾
95					95½	79	99¾	93
96					98½	92	95¼	86
97					95¼	84½	90	75
98					88	76	84	64½
99					84	63¼	87½	73½
1900					82¾	71	88¼	80¼
01					84	77	84½	76¼
02					83½	74	88	74
03					85½	73¾	88	81
04					87	80	97½	79¼
05					92¾	78¾	99¾	89½
06					97¾	87¾	97½	90½
07					97	90½	93¼	85
08					93	86	98½	85
09					97¾	84½	97¾	90½
1910					96½	91	98	92¾
11					100	93	99¾	94½
12					99	95	96	91
13					95½	91	98	89¼
14					97	87¾	94	89
15					96¾	90	90	68
16					89¾	77¾	90	80½

112 SOME QUOTATIONS ON CHILEAN BONDS

Name % Orig'l Amt. Issued at	1887 4½ % £1,160,200 96		1889 4½ % £1,546,400 97		1892 5 % £1,800,000 95		1893 4½ % £630,000 —	
Year	High	Low	High	Low	High	Low	High	Low
1864								
65								
66								
67								
68								
69								
1870								
71								
72								
73								
74								
75								
76								
77								
78								
79								
1880								
81								
82								
83								
84								
85								
86								
87								
88	103	99½	102½	100½				
89	106¾	100¾	105	97½				
1890	105	98½	100	73				
91	99½	73	93½	87½				
92	94	87½	90	79½				
93	89	75	96	81	97¾	97¼		
94	95½	78¾	99½	93	102½	88¾	80	73¾
95	98½	92	96	70	104½	99¼	96	75
96	94	85	90	81	103½	92	98½	91
97	88	76	85½	74	96½	82	93½	84½
98	82	63	88	79	90½	73½	87½	76
99	82¾	70½	94	84½	93½	80	82¾	63
1900	83	77¾	96¾	90½	94	87½	83	71
01	82	74	98	91¾	94¾	82	82¾	77½
02	85½	74	99	95½	93½	83¾	81½	73¾
03	88	80	97¾	89¾	96	90¾	85	74
04	94	79	100¾	93¾	100½	89	87	79½
05	98½	89¾	98	92	103	95½	92¼	78½
06	97	90¾	94	86	102	95	95½	87
07	93	85	94	84½	101	91	96¾	90
08	94¾	83¾	96¾	90½	101½	92¾	93	88½
09	96	90¾	98	91¾	102½	97	92¾	81¾
1910	97½	93	99	95½	103	99½	95½	89
11	98	94¾	97½	90¾	103¾	99½	96½	90¾
12	95½	90¾	94	89	102	97¾	97¾	92½
13	93	88½	92	87	100½	96	94½	90
14	93	88	82	76	98	94½	92¾	88
15	82	65	82	73	90	76½	88	84
16	84½	74	—	—	91	81	80	70

SOME QUOTATIONS ON CHILEAN BONDS 113

Name % Orig'l Amt. Issued at	1895 4½ % £2,000,000 93½		1896 5 % £265,000 100		Coquimbo Rwy. 4½ % £4,000,000 95½		1905 5 % £1,350,000 95½	
Year	High	Low	High	Low	High	Low	High	Low
1896	95	87½						
97	94	82	95	89¾				
98	87½	75	90	88¾				
99	81	71¾	91¾	79½				
1900	83	78	93	86	75	72¼		
01	82	73	92½	82½	79½	72½		
02	86	73¾	93¾	82¾	81	73		
03	87½	79	96¾	90	86	79		
04	91	79½	100½	89¾	91	77½		
05	96¾	88½	102½	96	94¾	86	102¾	100¾
06	97	88	102	95	94¾	89	102	95¾
07	92½	82	100¾	90¾	90¾	84	100¾	92
08	92¼	84	101¾	92	91	82	101	92
09	95	89¾	102¼	96¾	93¾	89	102	97
1910	97¾	92½	103½	99½	95¾	90½	103½	99½
11	98	92¼	104¾	99½	95¾	92½	103½	99
12	94¾	87	103	96	93	89	102½	97
13	92	86	100½	95½	90¾	86½	100	96
14	91	84	98	92½	87½	84	98	94
15	81	69	87	76	79½	65	88	74
16	86	71½	90	78¼	—	—	89½	79

Name % Orig'l Amt. Issued at	1906 4½ % £3,700,000 92¾		1909 5 % £3,000,000 96½		Arica & Valp. 1910 5 % £2,600,000 96.575		1st £4,905,000 2nd £5,000,000 of 1911 5 % £9,905,000 98½		Series A.B.C. 1912-13-14 15 % £4,026,000 —	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1899										
1900										
01										
02										
03										
04										
05										
06	95¼	89								
07	93½	82								
08	92	84								
09	95½	88½	102	96½						
1910	97½	92¼	103½	99½	102½	99½				
11	98¼	91½	103½	98½	104½	97¼	102	99½		
12	97	89	102	97	102½	97	102	95	99¾	95
13	96	88	100	95	100	95¼	101	93	99	93
14	93½	88¼	97¾	92½	96½	93	98¾	90½	96¾	86½
15	81¼	75½	86	74	86¼	74	87½	80	83	70¾
16	79	73	88	76½	85¾	77	90	75½	86	75¾

UNITED STATES OF AMERICA

THE United States of America is fortunate among nations in having a very small national debt, approximately one-half of which is non-interest bearing. It has also a fine record for the prompt payment of interest and maturities. Since 1790, when the present form of government was inaugurated, the nearest approach to repudiation of federal debt was in 1887, when the Postmaster General declared that all stamps issued prior to 1860 were no longer acceptable for postage or redemption.

The wars in which the country has engaged have been largely financed by treasury notes or short term internal loans; the financing of the Civil War is too well known to need description.

The public debt of the United States began, of course, in the Revolutionary period, and the first external obligation was incurred in 1777, when the Continental Congress borrowed \$400,000 from

the "Farmers General" of France, a semi-official private corporation.

This was followed by many others. France, and later the Netherlands, on the credit of France, were the principal creditors of the struggling country and Spain also loaned a small amount. Altogether these loans amounted to approximately \$6,500,000, while the internal indebtedness was \$26,188,909, besides which there was in circulation about \$159,498,880 in paper money. Much of this continental currency was never redeemed, and "fell gently asleep in the arms of its last possessor."

As the Continental government found difficulty in meeting the interest on its indebtedness, several loans were raised abroad to pay the arrears of interest, but this reprehensible method of meeting obligations was resorted to only during the war and the period of organization which followed.

In 1787 Dutch bankers had purchased a considerable portion of the domestic bonds at a very heavy discount and the last loan raised to pay interest on another

loan was obtained at this time. These same bankers profited largely on their transactions in American bonds.

In 1790 when the present form of government came into existence, the total indebtedness of the United States, exclusive of paper currency, was \$52,788,722, of which \$10,098,706 was external, \$28,858,180 was internal and the rest represented back interest, officers' pay in arrears, and amounts owing for military supplies, etc. In addition to this the federal government assumed state debts amounting to over \$18,000,000.

The foreign debt was funded with an interest rate of 5% and was repaid by 1795; the domestic debt was also funded and gradually repaid, the interest rate being reduced to 6%, 5½%, 4½% and 3%, in various ways.

The years of peace from 1801 to the War of 1812 were a time of great national prosperity and expansion and a remarkable reduction of the public debt was accomplished. The total indebtedness in 1800 was \$82,976,294, to which was added the \$11,250,000 purchase price of

Louisiana. Nevertheless the debt was decreased by more than half, over \$49,000,000 being paid off by 1812.

In 1811 an attempt was made to introduce United States bonds on the London market, and the 3%’s were quoted at 65 to 70.71 and the 6%’s at 101 to 102. This effort was temporarily frustrated by the War of 1812, but by 1816 they were again quoted there; the 3%’s at 51 and the 6%’s at 81½ to 82. At the same time these were quoted in Philadelphia at 61 and 92. During the war the price of government securities had dropped, and had England continued to trade in them at this time the British investor might have made considerable profit. A 6% loan put out in 1813 was sold at 88¼.

The War of 1812 added about \$88,000,000 to the public debt, and in 1816 it stood at \$127,334,933, but the following year the floating debt had been reduced to such small proportions that payment into the sinking fund recommenced.

Another period of prosperity began

and in 1836 so much had been paid off (the residue amounted to \$328,582) that the federal government distributed \$28,000,000 surplus revenue among the states.

The Mexican War did not interrupt this prosperity, and a 6% loan which partially financed it was issued at par. This war, which brought the Pacific territories to the United States, added, roughly speaking, \$49,000,000 to the national debt.

The Civil War, one of the most expensive and exhaustive wars of history until the twentieth century, is stated to have cost the government in the neighborhood of \$3,000,000,000 on the basis of all claims being adjusted. The debt of the United States in 1865 reached its maximum of \$2,756,431,571, of which \$1,110,000,000 was funded, \$1,276,000,000 was floating and \$460,000,000 was paper currency. The most popular war loan was the 6%, 5-20-year of 1862, of which \$515,000,000 was placed at par.

At the close of the war refunding and redemption operations were at once

begun and continued until 1879. The surplus revenues of these years were used to pay off the short time loans. From 1870 to 1877 refunding operations reduced the interest rate to 5%, then 4½%, and in the latter year to 4%. All issues were at not less than par. The last war loan bond was finally redeemed in 1907, when the few remaining "4s of 1907" were paid. The progress made in reducing this debt was remarkable and especially impressed Europe, where its repayment in such a short time was regarded as astounding.

During the years of war the prices of the 6s of 1881 were as follows:

	Year	Low	High
April	1861.....	84½	94
	1862.....	87½	107¼
	1863.....	91¾	110¾
	1864.....	102	118
	1865.....	103½	112¾

Yet during this period of war and intense anxiety in government finance, three great public works were constructed: the Union Pacific and Central Pacific Railroads were built, being opened to the public in 1869; the trans-

Atlantic cable was laid, being completed in 1866; and the telegraph, developed as a military necessity, came into general use.

The reduction of the debt of the United States which took place up to the Spanish War may be gauged by the following summary:

Year	Debt
1865.....	\$2,674,815,856
1875.....	2,090,041,070
1885.....	1,375,352,443
1895.....	838,969,476

During the Civil War the Confederate States also issued bonds to finance their government. In all, about \$355,000,000 were sold, many of them taking the form of "produce loans," being issued in exchange for food-stuffs and cotton.

There was only one external loan raised, although many of the internal bonds were bought abroad, especially in England. This loan was made in 1863 through Erlanger & Company of Paris and was purchased by them at 77 and offered on the market at 90 in Paris, Frankfurt, London and Amsterdam. It was oversubscribed and soon rose to 95½,

but on the reverses of the Southern armies being made public, it dropped until it reached 65.

It was looked upon by most brokers as a cotton speculation since the security for the loan consisted of a large amount of cotton held by the Southern States. This cotton, however, could not, in any large quantities, be gotten out of the states until after the war should be over on account of the blockade maintained by the United States Government. The money obtained from the loan was used to finance privateers such as the "Alabama."

During 1864 the prices of these bonds on the London market fluctuated between 84 and 57. One reason they did not drop more was that the interest was paid fairly promptly, part of the principal obtained being used for this purpose. Then, too, the purchasers of these bonds hoped, indeed expected, in spite of the American minister's declaration to the contrary, that even in case of victory, they would be assumed by the United States government. After the war several

attempts were made to have this done but the idea was never seriously entertained by the Federal government. The purchasers of Confederate securities took the risk which the financiers of revolution always take and, unfortunately for them, the Confederacy was not successful.

Most of the financing of the war was done by internal loans. These fell due every six months beginning with 1864 and an effort to keep values up was made by paying them in treasury notes, which did little good as they were themselves depreciated. The only loan which the Confederacy managed to raise at home in full and in specie was the first one in February, 1861, for \$15,000,000, and this took practically all the specie of that part of the country.

Many treasury notes were issued—a maximum of at least \$700,000,000, par value of \$100, being in circulation towards the end. Some of these bore interest, some did not, and some were redeemable or convertible into bonds. At first the interest rate was 3.65% but later it became necessary to raise it to

7.3% in order to induce people to take them. They depreciated rapidly in value as was to be expected from the large amount issued without any security back of them. Of course all Confederate Government obligations became void in 1865.

Table of Confederate Bonds and Treasury Notes, showing some quotations of prices:

Year	Treasury Notes		8% Bonds	
	High	Low	High	Low
1861.....	90.0	87.5	81.9	—
1862.....	82.7	39.5	91.0	39.3
1863.....	29.0	6.3	32.1	10.8
1864.....	5.3	3.2	7.3	4.6
1865.....	1.7	—	2.2	—

The Spanish War, while small in itself, has had far reaching effects on the policy and economics of the United States, bringing as it did a large and, for the first time, colonial increase in territory. A \$200,000,000 3% war loan offered at par was subscribed seven times over and went to 106 inside of three months.

In 1897, before the war began, the national debt was \$986,656,086, and in 1899, when the war was over, it was

\$1,155,320,235. A steady reduction took place through the years to 1908, and this was accompanied by a great expansion in commerce and trade for which the war was at least partially responsible.

The war had brought no perceptible drop in the prices at which the government securities were selling and in this subsequent period they rose to a maximum of $139\frac{3}{4}$ for the 4%’s and $103\frac{1}{4}$ for the new 3%’s issued to finance the Panama Canal. These latter were issued at or above par, which shows the high credit standing of the country. They caused an increase in the national indebtedness and since then there has been no decrease, the 1916 net indebtedness of the United States standing at \$1,132,639,195 and having interest rates of 4%, 3%, $2\frac{1}{2}$ % and 2%. Sixty-six per cent. of the gross debt was non-interest bearing and twenty-four per cent. was bearing interest at 2%, the lowest rate.

The high level of prices maintained by United States bonds is partly due to the

circulation privilege attached to some of them.

As this book goes to press the United States is entering the great war. At once the question of finance arises.

On the basis of the relation between national indebtedness and wealth at the time of the Civil War, when an obligation was incurred equal to approximately one-ninth of the country's wealth, the present government should be able to float a loan of \$25,000,000,000 with every prospect of its forming a safe, sound and thoroughly desirable investment for the individual.

It may be objected that no such amount of loose capital exists in this country, but the same objection would have held equally true in 1861-65. An unexpectedly large quantity is probably at hand, as was proved at that time, in very small amounts, which ought to be available if it can only be reached and interested.

On the basis on which Great Britain and France are borrowing, partially, it is true, abroad, the United States, given a

lender, might with comparative safety borrow up to \$38,500,000,000.

A war loan, such as is now being discussed, of \$7,000,000,000, would mean a per capita debt about equal to that at the close of the Civil War, but a far smaller obligation in proportion to the per capita wealth.

The United States has proved that it can easily and rapidly pay off a considerable debt, and it is still a country with magnificent opportunities for development and the production of new wealth.

COMPARATIVE DEBT OF THE UNITED STATES

	Total Debt	Per Capita
1815.....	\$99,803,660	\$17.25
1865.....	2,756,431,571	76.98
1914.....	1,027,574,697	10.76
1917*.....	8,173,773,050	79.56

*Including proposed \$7,000,000,000 loan.

UNITED STATES OF AMERICA

Date	Estimated Population	\$ Estimated Wealth	\$ Debt	\$ Wealth Per Capita	\$ Debt Per Capita	Relation of Debt to Wealth
1791	3,589,063	619,200,000	75,463,476	172.60	21.02	12.19%
1800	5,308,483	1,065,600,000	82,976,294	200.75	15.63	7.77%
1814-15	7,240,000	1,680,000,000	99,803,660	232.04	17.25	7.43%
1848-50	23,191,876	7,135,780,228	47,044,862	307.69	2.07	.67%
1870	38,558,371	30,068,518,000	2,331,169,956	779.83	60.36	7.90%
1887-90	62,481,000	65,037,091,197	1,063,004,000	1,047.29	17.72	1.70%
1900	76,303,387	88,517,306,775	1,107,711,257	1,159.39	14.01	1.74%
1912-14	95,411,000	187,739,071,090	1,027,574,697	1,967.69	10.76	.55%
1916	.....	230,000,000,000	1,132,639,195	2,233.00	10.56	.48%

UNITED STATES OF AMERICA



Name %	Due 1868 6%		Due 1865 5%		Due 1874 5%		Due 1881 6%		3-10 Year Notes 7%	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1860	109½	96	103	92	103¾	89	95¾	83		
61	100	86	91	85½	97	75	107¾	87½	106¾	97½
62	103½	85	99	85	97½	78	110¾	91¾	108½	100
63			127	96	101	85½	118	102	122¾	103
64							112¾	105	119	95½
65							114¾	103¾	108½	97¾
66							113¾	106½		
67							118½	108¾		
68							116½	105		
69							118½	112¾		
1870							119¾	110¾		
71							120¾	114¾		
72							123¾	111½		
73							122½	117		
74							126¾	118¾		
75							124¾	115½		
76							115¾	109½		
77							110¾	105¾		
78							107¾	104¾		
79							107½	103½		
1880							106½	100¾		
81										

Name %	Due 1891 4½%		Due 1907 4%		Due 1904 5%		Due 1925 4%		Optional Reg'd 2%	
Year	High	Low	High	Low	High	Low	High	Low	High	Low
1876	111½	108								
77	109	103½	106	101						
78	105¼	101¾	102¾	99¾						
79	107¾	104	104¾	99						
1880	112	106¾	113¾	103						
81	116½	111¾	118¾	112¾						
82	116½	112¾	121¾	117¾						
83	114¾	112¾	125½	118½						
84	114¾	110	124¾	118½						
85	113¾	112	124¾	121½						
86	111¾	108	129¾	123						
87	109	103½	129¾	124½						
88	105¼	101¾	129	123¾						
89	107¾	104	130	123¾						
1890	112¾	106¾	126½	122						
91	116½	111¾	122	116						
92			117½	114						
93			115	108						
94			116	112½	119¾	117¾			99¾	95¼
95			113½	110	117¾	112	124½	118¾	97	96½
96			112½	106	114¾	108½	120¾	111¾	96	91
97			115	111¾	115¾	113	129½	120¾	98¾	98¾
98			114¾	107	115	109¾	117¾	99½	99	98
99			115½	112	113¾	110¾	134¾	128	102	99
1900			118½	114	116¾	112½	138¾	131¾	100½	100¾
01			115¼	112	113¾	107¾	139¾	136¾		
02			113	108¾	106¾	103¾	139¾	136¾		
03			112	109¾	103¾	101¾	137¾	134¾		
04			108	104¾			134	130¾		
05			105¾	103½			134½	130¾		
06			104¾	101¾			132¾	129¾		
07			101¾	100¾			130¾	117		
08							123½	120¾		
09							121	116		
1910							115¾	114½		
11							116¾	113¾		
12							114¾	113¾		
13							114½	109		
14							114	110		
15							116	112		
16							111½	109¾		

Name	5-20 Year		10-40 Year		Currency		Funding	
%	6%		5%		6%		5%	
Year	High	Low	High	Low	High	Low	High	Low
1860								
61								
62								
63								
64								
65	114	101	103½	94				
66	112	98¾	102¾	89¾				
67	115¼	101¼	103¼	90				
68	115¼	103¾	104	97½				
69	118½	104½	109¾	100¼				
70	125½	106¾	116½	105				
71	116½	106¾	114	104¾	114¾	109½		
72	116	107	113¾	107	116¾	110		
73	118½	109½	113¾	106¾	117¾	111	113¾	107¾
74	121¾	105½	116½	103½	116¼	108	116¼	106¼
75	122	110¾	116¾	109¾	119	114	117	111
76	125½	114¾	119¾	113¾	125¼	117½	119	113¾
77	124¾	108½	121¾	112	128	120¾	119	110¾
78	117½	105	114½	106¾	126	120	112½	105¼
79	111¾	102¾	109¾	103¾	122	117¾	107¾	103
80	104¾	101¾	108¾	101¾	125½	119½	107½	101¾
81					134	126	104	101
82					135	129	105	99¾
83					131	131	103¾	101¼
84					136½	131½	103¾	102
85					135½	134¾		
86					137½	133		
87					136½	132		
88					135	127		
89					130¼	127¾		
90					127½	125¾		
91					124¾	115		
92					118	118		
93					116	116		
94					113½	108		
95					106	106		
96					109	108½		
97					105	103		
					103½	99¾		

Name	Due 1918		Due 1930		Panama Canal		Panama Canal	
%	3%		2%		2%		3%	
Year	High	Low	High	Low	High	Low	High	Low
1893								
94								
95								
96								
97								
98	107¾	104						
99	110¾	106¾						
1900	112¼	108¾	105	103½				
01	112	108½	109½	105½				
02	110	105¾	109¾	107¾				
03	110	106½	108¾	106				
04	108	104½	106½	104½				
05	106	102¾	105¾	103¼				
06	104¾	102¾	105¼	103	105½	105½		
07	104	100¾	106¾	104½	—	—		
08	102	101	104½	104	103½	103½		
09	102½	100½	103	100½	101½	100		
1910	103	101¼	100¾	100¼	100¾	100¾		
11	102¾	101¾	101¾	100¾	101¼	101½	103	101¾
12	103½	101½	101½	101	—	—	102½	101¾
13	103¾	101¾	101½	98	100¼	96½	103½	99
14	102¾	101	99	96¾	101½	97	102½	100¾
15	102	100¾	99	97¼	98¼	97½	102	100¾
16	103¾	100¾	100½	99	99¾	99¾	103¼	100¾

